









## New policy for Arab loans fund as president resigns

BY JAMES SUTTON

THE FUTURE of a big Arab aid-giving institution, the Arab Fund for Economic and Social Development (AFESD), which has been unable to make new loans for more than a year, has been partly resolved at a meeting over the week-end in Kuwait. Arab Finance Ministers accepted the resignation of the fund's president, Dr. Saeb Jaroudi.

The fund's 21 Arab shareholders, led by Kuwait and Saudi Arabia, last year refused to increase its capital or let it borrow commercially because of dissatisfaction with Dr. Jaroudi's management and lending policies.

That meant the fund had to stop taking on new loan commitments, because by the end of 1977 it had already committed almost \$D300m (\$550m) in development loans to Arab

countries, while its paid in capital was only \$D135.5m. The fund's paid in capital was due to reach \$D370m by 1984, while disbursements lagged well behind commitments.

A year's deadlock has ended with the resignation under pressure of Dr. Jaroudi, a Lebanese. He is to be replaced by Dr. Mohammed Imad, currently Minister of Economy in Syria, but until he takes over the fund will be managed by Dr. Abdilatif al Hamad, director general of the Kuwait Fund for Arab Economic Development.

The shareholders agreed to fill the gap between the authorised capital of \$D400m and the subscribed capital of \$D370m, and to pay up all the subscribed capital by 1982, two years ahead of schedule, but they will not allow the fund to borrow commercially.

The fund should now be able

to lend about \$D30m—\$D40m a year until repayments on existing loans come in, compared with the annual commitment in 1977 of about \$D100m.

The main disagreement between the shareholders and Dr. Jaroudi, who ran the fund since it started in 1972, was over lending policy. The AFESD found it hard to identify good projects to finance involving more than one Arab state which was one of its main objectives.

As a result it concentrated on lending to individual Arab states, which the big bilateral Arab aid funds of Kuwait, Saudi Arabia and Abu Dhabi regarded as an infringement of their own role.

Another issue was the cost of operating the Kuwait-based fund. At last year's annual meeting Dr. Abdul-Rahman al-Azqi, the Kuwaiti Finance Minister, strongly criticised the fund's administrative expenses. This year's administrative budget has been agreed at \$D1.45m compared with \$D1.1m last year.

With its reduced lending capability the AFESD will now try to develop a stronger capability for identifying inter-Arab projects and to act more as a catalyst in attracting money from other aid funds to the projects it identifies.

## Japan plans to end lease deals

By Richard C. Hanson in Tokyo

JAPANESE Government officials have reached agreement in principle to eliminate favourable deals by which aircraft have been leased to foreign parties under last year's emergency import scheme.

It is possible that any leasing contracts currently under negotiation will be allowed to go through. A formal decision on the matter is expected over the next few days.

It appears that the emergency import scheme itself will be extended until September, but that the interest rate charged on foreign currency loans through the Export and Import Bank of Japan will be raised by about 1 per cent from the previous 6.0-6.25 per cent.

The Ministry of International Trade and Industry (MITI) has been pushing strongly for the continuation of the aircraft leasing programme under the same terms as last year. The Finance Ministry opposition centred on the problem of entering such imports in its trade statistics, and the granting of very favourable interest rates under the programme.

## Comecon countries will receive more Soviet oil

BY DAVID SATTER IN MOSCOW

THE SOVIET UNION will supply its Comecon partners with more than 80m tonnes of oil this year, an apparent increase over oil deliveries to Comecon in 1978 and 1977.

Radio Moscow said the oil will be sold to the Comecon countries at 25 per cent below world prices, saving its recipients 15m roubles (\$740m) for the year.

During 1978-80, the Soviet Union will have supplied its Comecon partners with 400m tonnes of oil, 50 per cent more than in 1971-75 at a total savings to them of over 50m roubles.

The promised 1979 oil deliveries cannot be compared with deliveries in 1978 because the Soviets have given no value or volume figures for oil exports in 1978.

The Soviet weekly Ekonomicheskaya Gazeta, however, has reported that exports of fuel and raw materials accounted for almost half of Soviet exports last year, and that exports of oil, oil products and gas all increased over 1977 levels with most of the increase going to Comecon.

The Soviets are believed to have exported approximately 140m tonnes of oil in 1976, with 70m tonnes going to Comecon and 180m tonnes of oil in 1977, with between 70m and 75m

tonnes going to Comecon.

The news that the Soviets are planning their highest known level of deliveries to Comecon in 1979 comes after the appearance of a new CIA report confirming an earlier prediction that Soviet oil production would peak in 1980 and then decline steadily, forcing a reduction in exports to Comecon or the West.

It was announced recently that the Soviet Union planned to sell 10m tonnes of oil to Hungary this year as against 8.5m tonnes in 1978 and 800,000 more tonnes of oil and oil products to Poland than had been envisaged under the

long-term agreement.

Soviet shipbuilders are constructing a new type of oil tanker which should not pollute the sea even in the event of an accident, the Soviet news agency, TASS, has reported.

The tankers, with a deadweight of 65,000 tonnes, will have a second hull inserted inside the outer hull. The hulls will be separated by a space of two metres, which will be pumped full of ballast water.

The tankers are to be equipped with mechanisms to prevent oil explosions and will have a system for automatically avoiding floating objects encountered on course.

## Lada sales drive planned

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LADA CARS from the Soviet Union have this year established themselves among the top ten imported cars in the UK. And the importers, Satra Motors, expect to consolidate that position with a 28 per cent sales increase in 1979 to 23,000.

Last year's registration of 18,000 Ladas was a 46 per cent jump from the 1977 total.

Satra is about to launch a spring promotional campaign

for the Lada and to mark the event is offering a limited edition of the Lada 1200 LE. The 350 "specials" will be fitted with extras at the Lada import centre in Bridlington, North Humberside and the price will be £2,202 or £162 more than the standard version.

Satra is also expecting shipments of the Soviet-designed, four-wheel-drive vehicle, the Niva, to arrive in time for a May launch.

## China to step up shipping

HONG KONG—China will

soon enter the world shipping market and charter its rapidly growing fleet "for the carriage of freight to all parts of the world," Chinese Government officials have announced.

China has been an aggressive buyer of used and new ocean-going ships in recent years, and last year placed a \$180m (\$247m) to purchase eight roll-on, roll-off freighters from Japan's Kawasaki Heavy Industries. It is also building ships in its own yards, and has begun ambitious plans, with foreign technical assistance, to modernise its ports, including the installation of computerised containerisation terminals at five seaports.

Much of the new shipping capacity is expected to be used to meet China's own freight-carrying needs as it expands its trade contracts with the rest of the world.

AP-DJ

## Canton trade fair

The 45th Canton Trade Fair opened over the weekend with some 6,000 foreign businessmen in attendance, Reuters reports from Peking. The Fair was featuring agricultural products, and was promoting exports of textiles, light industrial products, handicrafts, heavy industrial goods and mineral products. The bi-annual fair closes on May 15.

## Iranian cargo backlog

BY SIMON HENDERSON IN TEHRAN

DESPITE the formal ending of customs strikes in Iran two months ago, much cargo, particularly in containers, is held up at the country's land and sea borders.

Last month the Bazargan Government issued an order saying importers need not pay demurrage, or layover charges, for goods which arrived during the strike period from last October until the revolution in February. However, in practice, importers say that this has had little effect.

There are still several thousand containers lying around Tehran's warehouses as well as at the ports of Khorramshahr, Bandar Shapur and Bandar Abbas. Some belong to firms

now in liquidation. Other owners which have affected trade are the Government's responsibility, and they are refusing to pay the demurrage being demanded.

The containers with the best chance of being cleared promptly are those containing pharmaceuticals and foodstuffs. Such cargoes were cleared throughout the strike, and they amount to 20 per cent of the traffic.

One concern reports it has 5,000 containers held up at an average cost of \$3 per container per day. Many cargoes were off-loaded at other Gulf ports during the troubles and customers were made responsible for further shipping.

## EEC potato processors seek curbs against U.S.

BY CHRISTOPHER PARKES

EUROPEAN potato processors are campaigning for protection against cheap imports of instant mash and other dehydrated potatoes from the U.S. and Canada.

Pressed by the French industry, the Paris Government has asked the EEC Commission to investigate charges that the North Americans have been "dumping" in Europe at prices below the cost of production.

The British industry, squeezed by the cheap imports and rising potato prices, is being aided by government subsidies on raw materials worth about £25 a tonne.

The four processing companies in the UK, led by Cadbury-Typhoo and Dornay Foods, are secretive about market shares, output and income, but it is understood that the granule sector, which accounts for about 3 to 5 per cent of the whole market for dehydrated potatoes, is worth about £15m a year.

An industry spokesman said that he hoped the forthcoming

EEC marketing regime for potatoes would include a section to provide for surveillance of imports. The German Government, he pointed out, already listed dehydrated potatoes as a "sensitive" product.

Potato prices have climbed steadily in the UK in recent months, following action by the Potato Marketing Board to buy up surpluses. Most have been sold cheaply as feed for cattle.

The extent of the surplus appears to have been over-estimated, and sales for animal feed have been stopped. The board is now beginning to release some of its "surplus" purchases back on to the open market to prevent any risk of a shortage.

The potatoes being sold cheaply to the processors are also coming from the board's stockpile. Farmers holding the reserves are to be paid £25 a tonne from government funds and then permitted to negotiate fetching up to £90 or £100 a tonne, most sell for around £50 to £55.

## World Economic Indicators

### INDUSTRIAL PRODUCTION

	Feb. 79	Jan. 79	Dec. 78	Feb. 78	% change over previous year	Index base year
UK	116.4	113.9	111.2	107.2	+2.9	1975=100
W. Germany	116.2	107.1	122.0	112.2	+3.5	1970=100
Japan	127.4	127.4	127.5	119.4	+6.7	1975=100
Italy	131.1	130.9	118.6	122.4	+8.2	1970=100
U.S.	151.2	150.8	150.4	132.8	+6.5	1967=100
France	132.0	132.0	130.0	126.0	+4.7	1970=100
Holland	117.0	125.0	121.0	116.0	+0.9	1967=100

## £100m in Boeing bids offered to UK companies

BY MICHAEL DUNNE, AEROSPACE CORRESPONDENT

UK AEROSPACE equipment companies are being given the chance this year to bid for more than £100m worth of work on the new Boeing 757 short-range, twin-engine jet airliner, in addition to supplying the Dash 555 version of the Rolls-Royce RB-211 engine for that aircraft.

Boeing has now formally launched the 757 as a major programme for the 1980s, with an estimated total investment of close to \$1bn (\$500m). It has already won orders for 19 aircraft from British Airways and for 21 from Eastern Airlines of the U.S., worth in all more than \$400m.

Both airlines have specified the RB-211-535 engine, but Boeing will also sell the aircraft with the rival General Electric CF6-32 engine, if customers want it.

Boeing executives told me during a recent visit to Seattle that they were "disappointed," but not worried, by the recent spate of orders for the rival A-310 version of the European Airbus.

They accept that Airbus Industrie in Europe is now the principal competitor for medium and short-range aircraft — the "semi-wide-bodied" twin-engine 767 and the smaller, narrow-bodied 757.

But Boeing is still confident

that it can win a substantial share of the expected orders for aircraft in these categories, estimated to amount to well over £2,000 by 1990. Of this market, 43 per cent is expected to be in the U.S., where so far Airbus Industrie has not done as well as in Europe.

Apart from work on the RB-211 engines and associated systems, Boeing will be offering UK companies what it calls "bid opportunities" this year to supply parts and equipment for the 757 worth over \$200m (£100m).

Much of the equipment, including flight-deck instruments, hydraulics, flying controls and other systems, for the 757 have already been settled, and some of this will be common with the 767.

But Boeing says it still has to settle the bulk of the 757 work, including moving parts of the wings and some fuselage body sections. Short Brothers and Harland of Belfast is understood to be interested.

Boeing is planning the first flight of the 757 in the spring of 1982. This means completing all pre-production planning by next spring to enable metal-cutting in the early summer. First deliveries are set for January, 1983.

# NOW WASH YOUR HANDS?



It's a predicament you have probably found yourself in at one time or another. When you wash your hands in a washroom like this one, you can end up with more germs than you started with.

You use a gungy sliver of soap that's been handled by dozens before you.

Then you discover that the towel's jammed again, so there's only a dirty, sodden piece of cloth to dry your hands on.

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Yet our solutions are beautifully simple. Kimberly-Clark hand towel dispensers give everyone a clean, disposable towel, every time. No jamming. No germs.

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In fact, our whole washroom system is designed to save you money. You'll save time too, with our easy-maintenance, free servicing and programmed deliveries.

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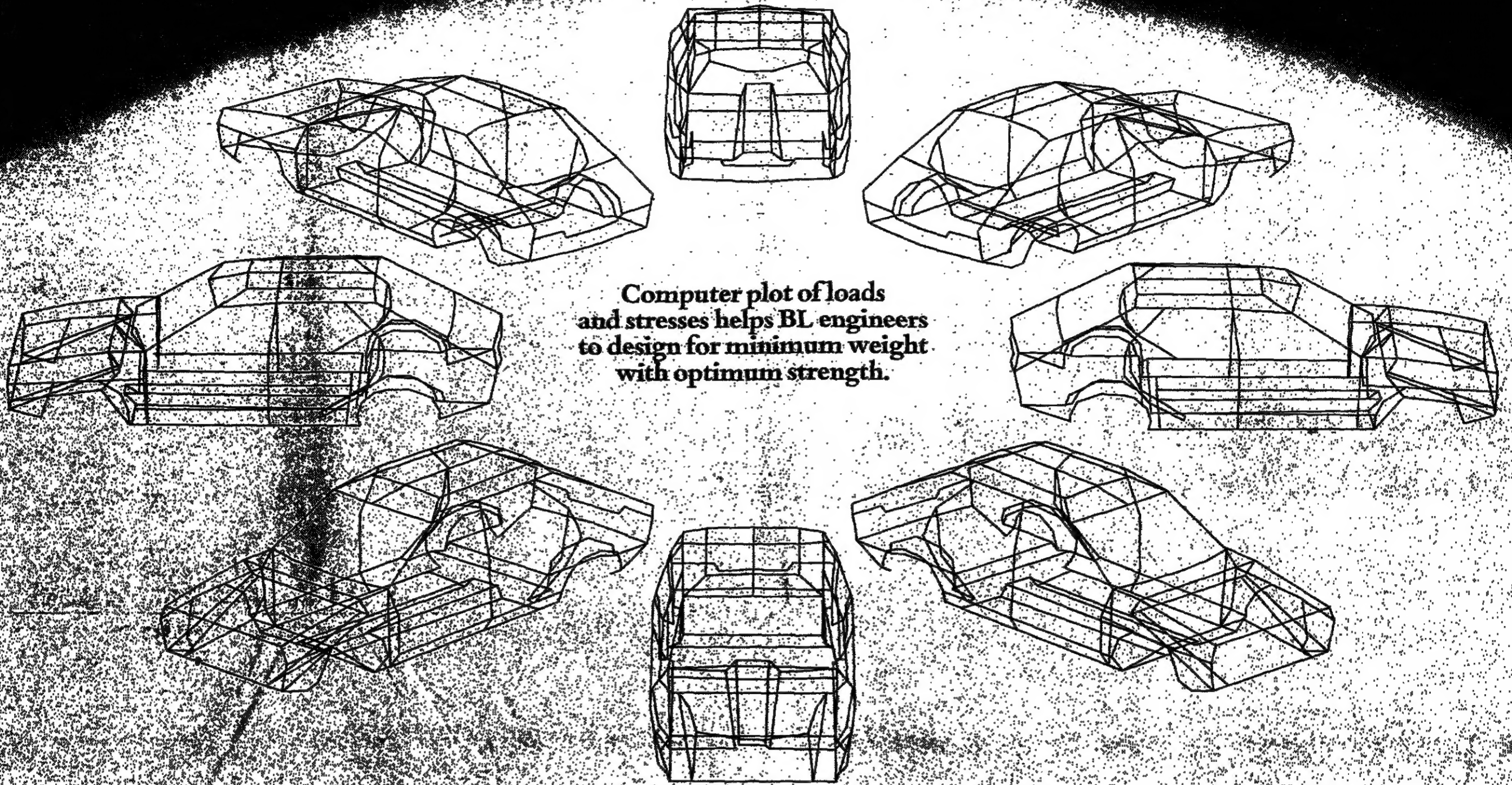
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This kind of thinking makes sense if you don't have innovative skills and technological resources of your own.

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And not just with cars.

Escalating transport costs are demanding better performance from commercial vehicles.

There is a growing awareness of the need to design buses and other public service vehicles for passengers as well as operators.

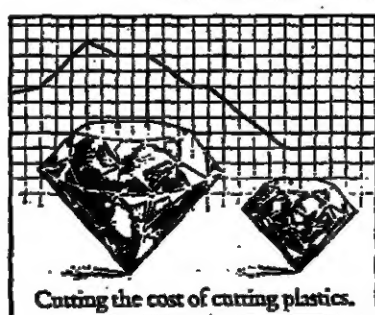
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Our engineers found that literally millions of elderly people don't use today's buses, simply because they cannot climb up into them.

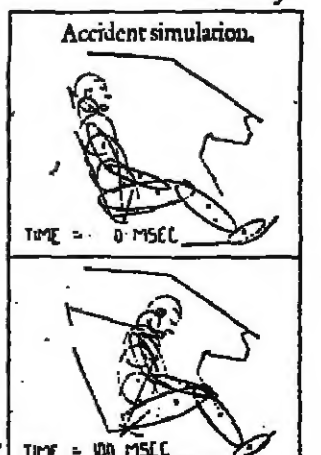
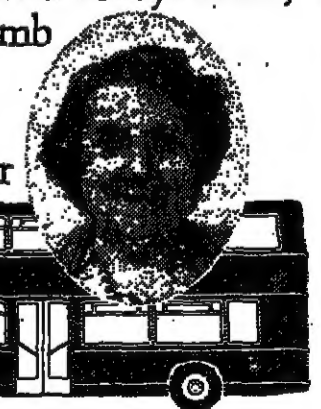
The Titan's low entry step, along with a host of other "human factors" features have just won an important ergonomics award for BL engineers.

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# Thatcher appeals to the disenchanted

BY ELINOR GOODMAN, LOBBY STAFF

MRS. THATCHER made a direct appeal to disenchanted Labour voters on Mr. Callaghan's doorstep in Cardiff last night.

In her first major speech of the campaign, she launched a sharp attack on Labour's record—and linked the Prime Minister's difficulties with the Left at Newham North-East to maximum effect.

Mrs. Thatcher was in fighting form last night at the end of her first full day of campaigning.

The Labour Manifesto, she said, was a "shameless appeal to voters to accept our national decline as inevitable, and simply make the best of it."

It was a "summons to apathy," she said, "a call for inertia."

Labour's message, she claimed, should be "Carry on downhill with Labour. Carry on whining. Carry on dealing. Carry on declining. Carry on down."

On this, she confronted Mr. Callaghan's recent claim that a Tory government would "tear everything up at the roots" and tried to turn it to her advantage. "It was precisely because the Conservatives were a responsible party that they rejected Labour's supine 'let's go as we are' invitation."

Last night's speech is likely to be the keynote for Mrs. Thatcher's 3,000-mile campaign. Conservative strategists have said they want to fight the campaign on policies rather than personalities, but her speech was notable for its lack of promises, or indeed any detailed policies.

Instead, she outlined the Conservative approach and rapped home the party's war cry of "choice and freedom."

She picked up several points made last week by other Conservative speakers.

Like Mr. Michael Heseltine, the shadow environment spokesman, she attacked Labour's claims to be the party that cared for the less fortunate in society. And, like Mr. Reg Prentice, the Tories' most glittering convert, she argued that Labour was being taken over by extremists.

All these points are likely to be repeated during her tour.

But yesterday, she seemed at pains to stress the aspects of Tory policy which could be expected to appeal to disenchanted Labour voters.

The speech was actually made in the traditionally Conservative constituency of Cardiff North, but the boundaries of Mr. Callaghan's constituency of Cardiff South East were less than a quarter of a mile away—and much of Mrs. Thatcher's speech seemed to be aimed at voters such as Mr. Callaghan's working-class supporters.

Many traditional Labour supporters, she said, wanted the same things as the Conservatives wanted and believed the same things.

She told them: "We offer you a political home where you can honourably realise the ideals which took you into the Labour Party in the first place."

There used to be in this country a socialism which valued people. "It had dignity, and it had warmth."

What a world away that was from the "officious, jargon-filled intolerant socialism practised by Labour these last few years. What a world away that sort of brotherhood was from the flying pickets, the kangaroo courts, the merciless use of closed shop power."

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# Lord Allen under attack over wages

BY OUR LABOUR EDITOR

LORD ALLEN, general secretary of the Shopworkers' Union, and a prominent advocate within the TUC of voluntary incomes policies, is under attack from one of the branches of the union for his interpretation of the union's policy on wages.

The Bournemouth and District Branch of the Union of Shop, Distributive and Allied Workers has tabled a motion for the USAW's conference at the end of this month in Eastbourne, asking delegates to "condemn" Lord Allen's recent pronouncements.

mouth branch has also tabled an unusually hard-line motion on law and order. It calls for the return of capital punishment for the murder of policemen and prison warders, for the murder of a member of the public in the course of a robbery, and for hijackers and kidnappers.

Aggravated rape, it says, should be punishable with 99 years in jail, young offenders should be given Army "glass house" discipline, and judges should be able to prescribe hard labour and bread and water diets.

# Pessimism remains in talks on Times

By Our Labour Editor

NEGOTIATIONS at Times Newspapers over the Easter holiday have done little or nothing to alter general pessimism about the chances of The Times and The Sunday Times reappearing soon.

A management spokesman said yesterday that the company and the National Graphical Association were still "miles apart" on the question of who is to operate new technology, while talks with office branches of the National Society of Operative Printers, Graphical and Media Personnel had produced little progress.

Today was to have seen the reappearance of The Times, which with its sister publication was suspended on November 30. With the deadline passed, the board of Times Newspapers will consider this afternoon whether to extend its promise of reinstatement, and whether there is any chance of early resumption of the five titles.

# Alton attacks 'jaded men of Westminster'

MR. DAVID ALTON, the Liberal victor at Epsom Hill and youngest member of the last Parliament, yesterday mounted a spirited defence of his leader, Mr. David Steel.

The Young Liberals had voiced regular criticism of Mr. Steel and Mr. Alton said that it was a sad day when members of the party felt that they had to attack someone with their leader's track record.

"He is not one of those people who are frightened to dirty their hands at the coal face of British politics. My only criticism of him is that he is too modest."

"He would make the best possible occupant of 10, Downing Street after May 3," Mr. Alton told the Young Liberals' annual conference in Bournemouth.

Mr. Alton did, however, feel free to condemn Westminster's "benches of tired old men, clinging to their jaded and faded policies."

He told the Young Liberals—of whom he was elected President on Sunday—that on the day he had taken his seat in Parlia-

ment there had been less than 40 members present out of a possible 800.

"What British company would allow absenteeism on that scale?" he asked. "What British company would allow its workers to fall asleep on the job? This is one company where widespread redundancies would be welcome."

The Young Liberals themselves were in a subdued mood for much of the conference.

They are worried about declining membership and reduced influence on the leadership and are divided fairly evenly into those who wish merely to hold the party to a clear left of centre position and those who would see it transformed into a radical, left-wing crusade.

Division showed itself in two crucial, related areas. By a majority of only eight, it was accepted that Liberalism should be prepared to discuss the possibility of co-operation with the Conservatives after the election, even if it meant a possible dissolution of party policy.

# Bouncing Tory baby refused a kiss

By Elinor Goodman

MRS. THATCHER made one small, but possibly critical error of judgment yesterday during a day in which she otherwise showed herself to be a truly dedicated and polished campaigner.

To the disappointment of the world's photographers assembled at Swansea airport, she failed to kiss a beautiful, bouncing, conspicuously Conservative baby, presented to her on landing rather in the manner that the Queen gets bouquets.

Instead, she merely clasped the baby to her in a thoroughly efficient way.

The photographers snapped in a frenzy of excitement but, though she proved very amenable to the cameramen for the rest of the day, she stopped short of meeting their request for her to kiss it.

The baby's father, the prospective candidate for Swansea West, conceded: "Mrs. Thatcher is a tickler, not a kisser."

The omission of the kiss was the nearest Mrs. Thatcher came to making a mistake—despite Labour prophecies that she would put her foot in it as soon as she was let loose on the campaign trail.

"Shaking hands, two at a time, she succeeded in looking relatively cool right to the end despite the sometimes aggressive attentions of autograph hunters and over-enthusiastic supporters."

Arriving at the Singleton Hospital, she was met by a group of suitably unattractive demonstrators carrying banners like "Get out: you're not our sort of woman," and "Defend our unions: keep Tories out."

This inspired one tidily dressed matron to start a chant, which said little for her knowledge of the present state of politics but much for her loyalty: "Keep Tories in, keep Tories in."

Yesterday was the day Mrs. Thatcher came into her own. The foreign journalists deserted Mr. Callaghan—"old story," they said dismissively—and converged on Mrs. Thatcher.

But even Central Office could not control everything. There was an embarrassing incident when some women journalists were refused a drink at the Conservative Club, while one patient at the hospital introduced a nasty question about what Mrs. Thatcher would do with Mr. Heseltine if she won.

By and large, though, her visit to the hospital was deemed a success. The photographers appeared more than satisfied with seemingly endless shots of Mrs. Thatcher leaning over bedside.

Not all the patients would necessarily agree, however, that the visit was an unmitigated success. A crowd of 70 journalists in an NHS ward for four is not necessarily the best way to guarantee a speedy recovery.

Mrs. Thatcher, though, seemed perfectly at home as she toured the wards like a visiting consultant.

The pity of it was that the cameramen had already picked up their equipment when Mrs. Thatcher had her encounter with the shaggy dog.

# Tories challenged on council house rents

BY JOHN HUNT

THE Conservatives were challenged yesterday by Mr. Peter Shore, the Environment Secretary, to say whether a Tory Government would put up council rents by £2 a week to save £500m on housing subsidies.

"There are 5m and more local authority tenants who want to know the answer," he said at Labour's daily press conference.

But in a statement later, Mr. Michael Heseltine, the Conservative environment spokesman, dismissed Mr. Shore's remarks as scare tactics.

Mr. Shore demanded to know whether the Conservatives would sell empty council houses as well as those with sitting tenants and whether they would cut capital spending on housing.

He also asked the Conservatives to say if they plan to introduce new health service charges and if they would give an undertaking that pensioners would continue to get a share of rising living standards.

The Tory plans to sell off public assets was a "sophisticated policy," he claimed.

According to Mr. Heseltine, however, Mr. Shore's statement intended to hide the fact that the Conservatives are making the most generous offer to council tenants.

Mr. Shore really cared about housing problems he should explain why he had done nothing about the 750,000 empty homes in Britain or about the reduction by 40,000 in the num-

ber of new homes built every year.

Another speaker at the Press conference, Mr. Merlyn Rees, Home Secretary, tried to rebut the Tory claim to be the party of law and order.

He said that £300m more was now being spent in real terms in maintaining law and order than in 1974 when the Conservatives were in power.

In Labour speeches yesterday, Mr. John Smith, Trade Secretary, wondered what had happened to suggestions that the Conservatives would sell off all or part of British Airways to the private sector. He noted that there was no mention of it in the Tory manifesto.

Mrs. Thatcher should now answer this question, he said.

Mr. William Rodgers, Transport Secretary, promised that investment in the railways would continue under Labour.

# Minimum restored

Most of the motions demand £80 a week minimum wage with a 35-hour week, but some want £65 and one or two go for £70 a week. There are calls for a big campaign this year against low pay, including industrial action.

One of those demanding action is the Birmingham Co-operative branch, which says £80 a week and 35 hours must be won "in order to restore confidence in USAW."

The USAW conference, like the national committee of the Amalgamated Union of Engineering Workers' engineering section which precedes it next week, may find it difficult to translate its motions into firm resolutions, since tactics will be influenced by the outcome of the General Election on May 3.

The TUC has made it plain that its consent to some broad parameters for pay bargaining in the next round has been extended only to a Labour Government.

USAW's vociferous Bourn-

# Aerospace staff urged to support merger bid

By Our Labour Editor

THE CONTROVERSIAL entry of the Engineers and Managers Association into new areas of the engineering industry is receiving support from the British Aerospace Staffs Association.

In a circular to the BASA's 5,000 members, Mr. Joe Fisher, the president, urges them to vote for a merger with the EMA. He says a merger is their best chance of winning the official recognition in the nationalised aircraft industry.

A BASA conference on Saturday will be urged to endorse the recommendation, which would have to go out to ballot. The BASA estimates that there are up to 15,000 eligible recruits in 24 sites, compared with the 5,000 at 12 sites at the moment.

# Arbitration

The board may give a few days' grace to see if the national council of the NGA, which meets on Thursday, will accept the management's offer of arbitration.

The management has not set a new target date for the paper's return.

Meanwhile, a deadline set by Associated Newspapers for agreement to job cuts and other savings at the London Evening News is also approaching.

A spokesman for the journalists at the News said there was virtually no chance of negotiations being completed by the deadline of April 28. The company, which is looking for a cut of 580 jobs out of 2,300, has said it wants agreement to all its proposals by that day or the paper would have to close.

# Property sharks hint

PROPERTY sharks will cash in if a Tory Government returns, Mr. Cyril Smith told Morecambe Liberals yesterday.

"The Tory Party has given the nod and the wink to Britain's asset-stripping speculators."

"In 1973-74 this country had the craziest bout of property speculation mania in post-war years, but the lessons from the era of gouging and profiteering made out of land deals have not been learnt."

"The Tories plan to dismantle chunks of Labour's land ownership and tax laws. The do need revising, but what has the Tory manifesto got to put in its place? Nothing."

"The Tories say they want a 'property-owning democracy'. No one will quarrel with that, except that under the Tory manifesto only the big sharks who can get easy credit from the banks will prosper."

David Steel, Liberal leader, yesterday dismissed allegations

from the Labour opponent in his Scottish constituency that he may have been involved in a breach of electoral law.

Mr. David Heald, who is fighting Mr. Steel for the Roxburgh, Selkirk, Peebles seat, lodged his complaint yesterday with the returning officer, Mr. Adam Napier.

Mr. Steel said later that the charges smacked of sour grapes. The allegation arises from a BBC news broadcast on Saturday showing an interview with Mr. Steel while he was campaigning in his constituency.

Mr. Heald claimed the broadcast, giving Mr. Steel television time, breached the Representation of the People Act.

But Mr. Steel said this morning after he had handed in his nomination papers to Mr. Napier: "Responsibility for what is transmitted in accordance with the Act rests with the broadcasting authorities and not with the candidates."

# MPs' pay dilemma

BY RICHARD EVANS, LOBBY EDITOR

ONE OF the most sensitive issues to be faced by an incoming Government of whatever political complexion will be the scale of pay increases to be awarded to Ministers and MPs.

Recommendations contained in a report from the Top Salaries Review Body chaired by Lord Boyle, the former Conservative Education Minister, would almost double MPs' pay and give corresponding rises to Ministers.

Such large increases would be politically extremely difficult to introduce immediately and the chances are they would have to be phased by either a Labour or Conservative administration to avoid too hostile a public reaction.

The proposals would increase a backbencher's pay from £6,897 a year to around £12,500. Cabinet Ministers would receive £25,000 against £14,300 and other senior Ministers more than £20,000 compared with £10,450. The Prime Minister's salary would jump from £22,000 to £40,000.

In addition, a substantial increase in Parliamentary allowances is expected. At present, an MP receives £4,200 for secretarial and research assistance plus extra cash if his constituency is outside London.

One of the difficulties is that MPs' pay has fallen so far behind in recent years following decisions not to grant full implementation of awards in the past because of general pay restrictions.

A proposal to increase pay to £8,000 in 1975 was shelved as it would have breached pay policy. This time, there will be considerable pressure from backbench MPs for rapid implementation, and both Mr. Callaghan and Mrs. Thatcher are thought to be sympathetic to introducing phased awards as quickly as possible.

The Boyle report has not yet been received by 10 Downing Street but is expected towards the end of this week or early next. It is unlikely to be published before the general election as both Mr. Callaghan and Mrs. Thatcher have made it clear they believe the decision should be one for a new Parliament.

# Labour leads Scots poll

BY RAY PERMAN, SCOTTISH CORRESPONDENT

LABOUR is pushing further ahead of the Conservatives in Scotland, in contrast to the position in the country as a whole, where it has appeared so far not to have made any significant inroad into the Tory lead.

An opinion poll published today in the Glasgow Herald gives Labour 49 per cent support, compared to 27 per cent for the Tories.

The Scottish National Party, which has yet to make much impact on the campaign, has 17 per cent support, Liberals 6 per cent, and the breakaway Scottish Labour Party 1 per cent.

Since the last poll at the beginning of the month, Labour's lead has jumped from 16 per cent to 22 per cent. The previous figures were Labour 45 per cent, Conservatives 29, SNP 19, Liberals 6, and SLP 2.

The Labour Party has consistently topped the polls in Scotland for 18 months, but the size of its present lead gives the party hope of holding its 41 seats north of the border and making some gains at the expense of the Conservatives and SNP.

There are likely to be considerable regional variations within Scotland in support for the parties, but the Conservatives must now be worried about whether they can take back some of the seats lost to the SNP in 1974.

The fieldwork for the poll was conducted in the middle of last week before the parties had launched their Scottish campaigns, but the results indicate that Labour's concentration on economic issues is justified.

When asked which issue they considered most important, 47 per cent of the 1,079 voters in the sample said prices and the cost of living, and 28 per cent said jobs and unemployment.

In third and fourth place, but with much less emphasis, came two of the main Tory election themes, law and order—ranked most important by only 8 per cent—and trade unions—thought to be top priority by only 4 per cent.

Devolution and the EEC were thought most important by only 3 per cent each, while housing and education were chosen by only 2 per cent each.

# In by a hair

WINDBLOWN, unkempt hair can only lose votes, prospective Parliamentary candidates were warned yesterday. Mr. David Colclough, president of the National Hairdressers' Federation, said: "Candidates of all political parties will find they will not have a snowball in hell's chance of getting into the House of Commons if they appear in front of their voters looking as if they have just been dragged through a hedge backwards."

# Clerks may act over punt

BANK CLERKS throughout Ireland are expected to vote this week for industrial action over the break in the link between the Irish currency and sterling. They are demanding more pay for the extra work created by the different value now applying to the pound and the Irish punt.

The result of a ballot of the 16,000 members of the Irish Bank Officials Association will be known on Thursday. The most probable outcome is a refusal to handle any transactions involving both currencies.

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# Britain growing more sugar

FARMERS are turning over more land to sugar beet. The British Sugar Corporation said yesterday that its 17 factories in nine counties would be accepting crops from a record 536,000 acres this year.

BSC paid £165m to growers for 7m tonnes of beet last year.

## Video Surveys in 1979

The Financial Times is continuing its interest in the Video Industry during 1979 and propose to publish two further surveys.

HOME ENTERTAINMENT September 15

This survey will cover the important and expanding market for Video systems in the home. It will also cover the more traditional areas of home entertainment such as television and hi-fi.

VIDEO SYSTEMS October 8

This survey will cover in detail the developments of the technology of current systems and review the increasingly diverse markets in industry, education and communications.

For further information about advertising in either of these two important surveys please contact:

Chris Manson,  
Financial Times,  
Bracken House, 10 Cannon Street, London EC4P 4BY.  
Tel: 01-248 8000, Ext. 7063.

## FINANCIAL TIMES

### EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## METALWORKING

### Cutting of plates speeded

OUTPUT OF profile cutting machines can be doubled, it is claimed by using a device called the Lavesey Alternating Plate-changer.

It consists of two power-driven tables upon which the plates to be cut are supported during profiling. The tables, running on rails, are constructed so that one, the under-table, can pass through the other.

The rails can be laid on or set into the factory floor to align with the profiling machine and carry the tables to and from the stock area in or outside the main production facility.

While a plate is being profiled on the top table, the table underneath is loaded with the next plate to be cut. As soon as the top plate is cut the top table is moved away and the built-in hydraulic system of the under table lifts the plate it is carrying into the correct and level position for cutting.

This sequence of events becomes a repetitive work pattern ensuring that actual cutting time is at an optimum while material handling and craneage time is reduced dramatically. A table travel speed of 65 feet per minute ensures that a new plate can be positioned under

the cutting torches within two minutes. Power to the tables is carried on self-reeling drums fed out from ducts laid between the rails.

Both tables incorporate a water circulation system in which water is maintained at a height just below the underside of the plate. This absorbs almost all the iron-oxide dust being ejected from the cut path and, claims the manufacturer, creates a much healthier atmosphere for the operator in addition to reducing maintenance problems caused by the metallic dust affecting electrical equipment.

Further details can be obtained from B. W. Lavesey Engineering, Station Street, Rothley, Leicestershire, (Rothley 555).

### Tackling UK market

FIRST DISTRIBUTOR to be appointed outside Germany for machine tools manufactured there by Hermann Becker KG, of Ulm, is E. Hahn and Kolb (Great Britain), Leicester Road, Rugby, Warwickshire (0783 74261).

Among the company's products are deep-hole drilling and fine boring machines, and twin-head facing and centring machines which can be supplied with automatic loading equipment.

## COMMUNICATIONS

### Pulse code testing set

WANDEL AND GOLTHERMANN (UK), 40, High Street, Acton, London, W3 (01-892 6791) has an automatic measuring set intended for use during installation and servicing of pulse code modulation transmission systems.

Also useful for inspection during manufacture, the PA-3 can feed its results to a printer, eliminating time-consuming meter reading and noting, or alternatively an IEC interface allows for connection to an external computer.

There are three main parts to the analogue section: a test section which generates and

measures signals, a microprocessor segment which stores and controls the test programs, and the operating and interface unit for entry of the data and output of the results. A particular pre-programmed measurement mode is called from memory by entering a two-character address using the keyboard; frequency and level if not pre-programmed, can be entered manually or increased automatically by increments throughout the test cycle.

Results appear on a digital display, to a resolution of 1 dB. Optionally, a test point scanner can handle up to 30 phone channels.

## DATA PROCESSING

### Selects the terminals at will

ARBAT IS now marketing a general purpose switching device as a result of its use in existing customer installations.

Matrix Terminal Selection Device (TSD) provides a central switching point to allow fast and simple re-alignment of systems or terminals. In addition, it enables lines to be tested individually while maintaining a disciplined approach to the use and location of terminals to improve system security and integrity.

Standard TSD models have matrix sizes to accommodate 40 or 80 computer lines and 40 terminal lines, though ARBAT will supply larger capacity systems to meet individual requirements. Switching of both remote and local terminal connections is by means of gold-plated pins and a built-in maintenance capability is provided using a display for line monitoring and metering. Larger TSD versions also include a digital clock.

Available as a compact floor

or wall-mounted unit, the TSD is supplied with all necessary cabling for connection to local line distribution units. TSD has ability to give flexibility in terminal arrangements while almost entirely eliminating operating down-time. Because it was originally designed for use in a financial real time environment, the TSD meets demands for high reliability and integrity.

Arbat (UK), at 160, Queen Victoria Street, London, EC4V 4DA (01-549 9751).

### Machine will do the books

AT A purchase price of £7,200, or £40 per week rental on a five year contract, Kienzle Data Systems believes it is offering easy, comprehensive book keeping for smaller companies at "less than the cost of an accounts clerk."

The new machine, model 1900, enters the company's computer range just under the existing model 2000 and is also a visible record machine using magnetic stripe ledger cards to store account data and in cassette tape for the various accounting programs.

Derived from the model 2000, of which 7,000 have been sold in Europe (1,000 in the UK), the machine is thought by Kienzle to be best suited to companies in the £1m to £2m turnover region. The price includes any of the software

packages the company offers, although bespoke software can be produced via 60 analysts and programmers in various parts of the country.

Assembled in West Germany, the hardware makes use of the company's in-house design of wire head printer, with flat bed entry of the cards next to the printer roll that yields invoices, statements etc.

Processor is the Intel 8080, with which up to 32k of memory can be provided. The keyboard is also a Kienzle design in which key depression moves a coil in relation to some ferrite, eliminating bearing surfaces.

The machine needs no specialist knowledge to use: a 32 character display on the front panel tells the user what to do next. Claim made by

the company is that the machine can be operating with live data inside two months, installation consisting of plugging it into the mains.

Production of invoices for example consists of no more than placing the customer's card, with its history of previous purchases, on the plate, keying in the new transaction, and waiting a few seconds while the machine prints the invoice and adds the new data to the card.

Kienzle is at 224 Bath Road, Slough SL1 4DS (Slough 33355).

## MATERIALS

### Refractory lining has long life

INTRODUCED by Andco Refractory Linings, Techno Estate, Swindon, Wilts SN2 6HB (0793 41781), a material called Arleite will, it is claimed, outlast "other commercial linings" lasting 15 times longer when correctly installed.

This high density, 85 per cent alumina ceramic has a specific gravity of about 3.5 with a fine grained micro-crystalline structure offering very good abrasion resistance. Relatively unaffected by continuous exposure to temperatures up to 500°C and dry, moist or wet conditions, the material offers long term economies in lining conveyors, sluice ways, cyclones and duct work.

Tiles of the material are produced in a wide range of sizes, thicknesses and profiles with tapered and grooved edges or straight sides with holes for metal attachments. Pre-cast segments can also be supplied as pipe liners with inside diameters from two to six inches inside diameter.

## SEMINARS

### Portable test facilities

PURCHASERS FOR European tank and military workshops, as well as military attaches, will be attending a symposium at which Froude Engineering will present a paper, "Development and Provision of Transportable Test Facilities." This will take place at the same time as a Defence Components Expo 79, to be held at the Brighton Metropole Conference and Exhibition Centre, April 24-25, 1979.

Engine test facilities designed for front line use will also be highlighted on the company's stand at the exhibition. More from Froude at Gregory's Bank, Worcester WR3 8AD (0905 27186).

## ASSEMBLY

### Freight costs reduced

MACHINERY to be supplied by Moon Brothers of Birkenhead, Merseyside, will help an overseas company reduce its container shipping costs.

Moon is supplying a model SK can-reforming machine and a model EF flanging machine to Shemtec of Morley near Leeds, which supplies cans and other containers to companies throughout the world.

Shipment overseas of a fully-assembled empty container incurs relatively high freight costs in relation to its value.

In order to reduce shipping costs, it is necessary to ship cans as sets of flat components. Can bodies are rolled and locked in Shemtec's factory and then mechanically flattened for shipment with the appropriate number of lids, rings and other components.

For a customer overseas, Shemtec is supplying the Moon machines so that on arrival at their destination, the bodies can be restored to their original shape.

Model SK reforming machine consists of a driven steel roller and a non-driven rubber covered roller which is approximately the same diameter as the inside of the container.

The can is placed over this roller (tapered at one end) and is brought into contact with the rotating steel roller, restoring the can to its original cylindrical shape.

Cans will be flanged on the model EF hand-operated flanger, prior to fitting of the ends and seaming.

Moon Brothers (Royal Doulton Group), Beaufort Road, Birkenhead, Tel. 051-552 1527.

## PROCESSING

### Low cost pure water

DISTILLED water can be produced at the rate of one litre per hour for every 30 watts of power used by a German-made plant called Zyclodest, available from Schof Process Plant, Drummond Road, Stafford ST16 3EL (0785 48116).

Output is of the highest purity and meets the needs of the chemical, pharmaceutical and electronics industries.

Low running costs result from the use of a heat pump in the cycle of which heat is supplied to evaporate the medium—the input water—but is regained on condensation.

To prevent carry over of impurities in droplets that have not evaporated a cyclone is used to separate and return them to the liquid side.

Start-up, to achieve the working temperature, can be by steam or electricity. Thereafter, the only heat input is from the compressor. Temperatures can be selected, at 80 deg C for example, residual bacterial material is killed, while at 20 deg C input energy is minimised and the cost of producing the water is at its lowest.

Machines can be supplied with production capacities from 200 to 5,000 litres/hour.

### Mechanical filter press

VISITORS TO Achema 79, Frankfurt Main, June 17-23, will be able to see what is said to be the world's first practical and mechanically uncomplicated automatic filter press on Neptune European Group's stand, announced the company from Caledonian House, Tatton Street, Knutsford, Cheshire.

The Autopress, developed by Johnson Progress and the Moseley Rubber Company (UK sister companies), is completely automatically sequenced and incorporates fully automatic cake discharge. All manual operations have been eliminated.

Output of one chamber of the press is said to be equal to that of five to ten conventional chambers. This is achieved by a combination of the fast filtration cycles of the Moseley membrane system and reduction of the dead time through fast open / close / cake discharge system. For example, a 10 chamber Autopress, says the company, has the same output capacity as a conventional press with between 50 and 100 chambers.

## HAND TOOLS

### Improved impact wrench

DESIGNED ESPECIALLY for environmental requirements and providing reduced noise output and a diverted exhaust system is a new "hushed power" version of the CP3440 torque controlled, reversible, impact wrench from Consolidated Pneumatic Tool Co., Tool Division, Greenwell Road, Aberdeen.

Apart from modifications to the exhaust system on the equipment, attachments are available to pipe exhaust air away from the working area to discharge to atmosphere.

## ELECTRONICS

### Microwave transceiver

A TINY device that will both generate and act as a receiver of microwaves, for use in such Doppler systems as intrusion alarms, speed measurement radar, traffic control and industrial process control has been introduced by Microwave Associates, Dunstable, Beds, LU5 4SX (0582 60144).

Measuring only 4.14 x 5.08 x 4.17 mm and designated MA-8850, the devices operate at 10.525 GHz and can deliver between five and 10 mW of rf power, in response to a moving target within the range, an audio signal is delivered from the mixer output which is directly proportional to the velocity of the target towards or away from the aerial. The receiver output frequency to velocity scale factor is 31.4 Hz per mph.

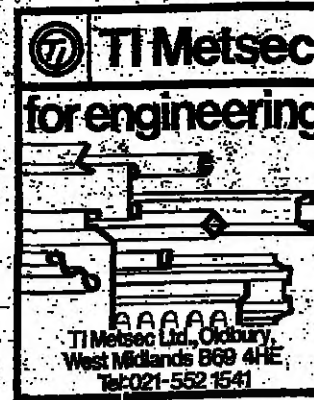
A self-adhesive labelling rate of 400 units per minute is being achieved with vials so light and small, relative to the labels which wrap around them, says the company, that the slightest extra pressure on a label would send them off course.

### The war that never ends

We British are a peaceful people. When a war is over we like to consign it to the history books - and forget it. But for some the war lives on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children - for them their war lives on, every day and all day. In many cases, of course, there is help from a pension. But there is a limit to what any Government can do. This is where Army Benevolence steps in. With understanding, with a sense of urgency, and with practical, financial help. To us it is a privilege to help these brave men and women, too. Please will you help us to do more? We must not let our soldiers down.

### The Army Benevolent Fund

for soldiers, ex-soldiers and their families in distress. Dept. FT, Duke of York's HQ, London SW3 4SP



## PACKAGING

### Produces tough tags

IDENTIFICATION TAGS in the packaging and freight industries are made of dunnage material. In the event of rough handling, these name marks are always ready for destruction.

Permanent metal identification tags which, when properly secured, will survive rough handling are produced from a low cost, easy to operate machine produced by Rawtons of Liverpool, Coding and Marking Division, 60, Vauxhall Road, Liverpool, L69 3AU.

Up to three tags may be produced at one time, making it possible to have two or three duplications of each tag. Range of the machines allow for character sizes of 6.5 mm, 9.5 mm and 12.8 mm, and the 40 characters include numbers, letters of the alphabet and punctuation. Tags are 0.152 mm to 0.303 mm thick, and the two sizes most likely to be in demand, says the company, are 140 mm x 64 mm and 140 mm x 76 mm, although other sizes are available.

Maker says there is absolutely no skill needed to produce the embossing which the machine does in seconds, and it can be used time and time again to give any size or shape of consistent, clear, and indestructible marking.

### A light touch

NOW BEING operated successfully by Beecham Group at its Worthing, Sussex, plant is a pharmaceutical blister labeller devised in co-operation with specialists, labelling machine maker, Precision Packaging Machinery (Yorkshire), Harrogate, (0455 70555).

A self-adhesive labelling rate of 400 units per minute is being achieved with vials so light and small, relative to the labels which wrap around them, says the company, that the slightest extra pressure on a label would send them off course.

## Banque Nationale de Paris

US \$ 125,000,000  
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Alhli Bank of Kuwait (K.S.C.)	Algemeine Bank Nederland N.V.	AMAS S.A.
A.E. Ames & Co. Limited	America Express Bank International Group	The Arab and Morgan Grenfell Finance Company Limited
Banca Commerciale Italiana	Banca del Gottardo	Banca Nazionale del Lavoro
Banco de Bilbao	Banco Urquijo Hispano Americano Limited	Banco Central, S.A.
Bank für Gemeinwirtschaft AG	Bank Ginzwiller, Kurz, Baumgarter (Overseas) Limited	Bank Leu International Ltd.
The Bank of Tokyo (Holland) N.V.		Bankers Trust International Limited
Banque Arabe et Internationale d'Investissement (B.A.I.I.)		Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur	Banque Générale du Luxembourg S.A.	Banque de l'Indochine et de l'Extrême Orient
Banque Internationale à Luxembourg, S.A.		Banque Internationale pour l'Afrique Occidentale (B.I.A.O.)
Banque Louis-Dreyfus	Banque Nationale de Paris Limited	Banque de Namur, Schumacher, Mallet
Banque de Paris et des Pays-Bas	Banque Rothschild	Banque de la Société Financière Européenne S.F.E. Group
Banque de l'Union Européenne	Banque Worms	Barclays Bank International Limited
Baring Brothers & Co., Limited	Bayerische Hypotheken- und Wechsel-Bank	Bayerische Landesbank Girozentrale
Bayerische Vereinsbank	Bear Stearns and Co.	Burgas Bank S.A.K.
Chemical Bank International Group	Citicorp International Group	Chase Manhattan Limited
Compagnie Monégasque de Banque	Continental Illinois Ltd.	Commerzbank Aktiengesellschaft
Crédit Agricole (C.N.C.A.)	Creditanstalt-Bankverein	County Bank Limited
Crédit Industriel et Commercial	Crédit Lyonnais	Crédit Commercial de France
Daiwa Europe N.V.	DBS - Daiwa Securities International Limited	Crédit du Nord
DG BANK	Dillon, Read Overseas Corporation	Den norske Creditbank
Deutsche Genossenschaftsbank	European Banking Company Limited	Dresdner Bank Aktiengesellschaft
Exomobiliare S.P.A.	First Chicago Limited	
Fuji International Finance Limited	Antony Gibbs Holdings Limited	Girozentrale und Bank der Österreichischen Sparkassen
Goldman Sachs International Corp.	Groupe des Banquiers Privés Genevois S.A.	Hambros Bank Limited
R. Henriques Jr. Bank Aktieselskab	Hill Samuel & Co. Limited	IBJ International Limited
Kansallis-Osake-Pankki	Kidder, Peabody International Limited	Kleinwort, Benson Limited
Kahn Loeb Lehman Brothers International		Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Kuwait International Investment Co. S.A.K.		Kuwait Investment Company (S.A.K.)
Lazard Frères et Cie	Lloyds Bank International Limited	Lazard Brothers & Co., Limited
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Samuel Montagu and Co. Limited	Morgan Stanley International Limited	Mitsubishi Bank (Europe) S.A.
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Smith Barney, Harris Upham & Co. Incorporated	Société Bancaire Barclays (Suiss) S.A.	Skandinaviska Enskilda Banken
Société Générale de Banque S.A.	Société Lyonnaise de Dépôts	Société Générale
Struss, Turnbull & Co.	Sumitomo Finance International	Standard Chartered Merchant Bank Limited
Swiss Bank Corporation (Overseas) Limited	Vereins- und Westbank Aktiengesellschaft	Svenska Handelsbanken
S.G. Warburg & Co. Ltd.	Westdeutsche Landesbank Girozentrale	J. Votobel & Co.
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Banco di Chiavari e della Riviera Ligure  
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Banca di Trento e Bolzano  
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March 1979

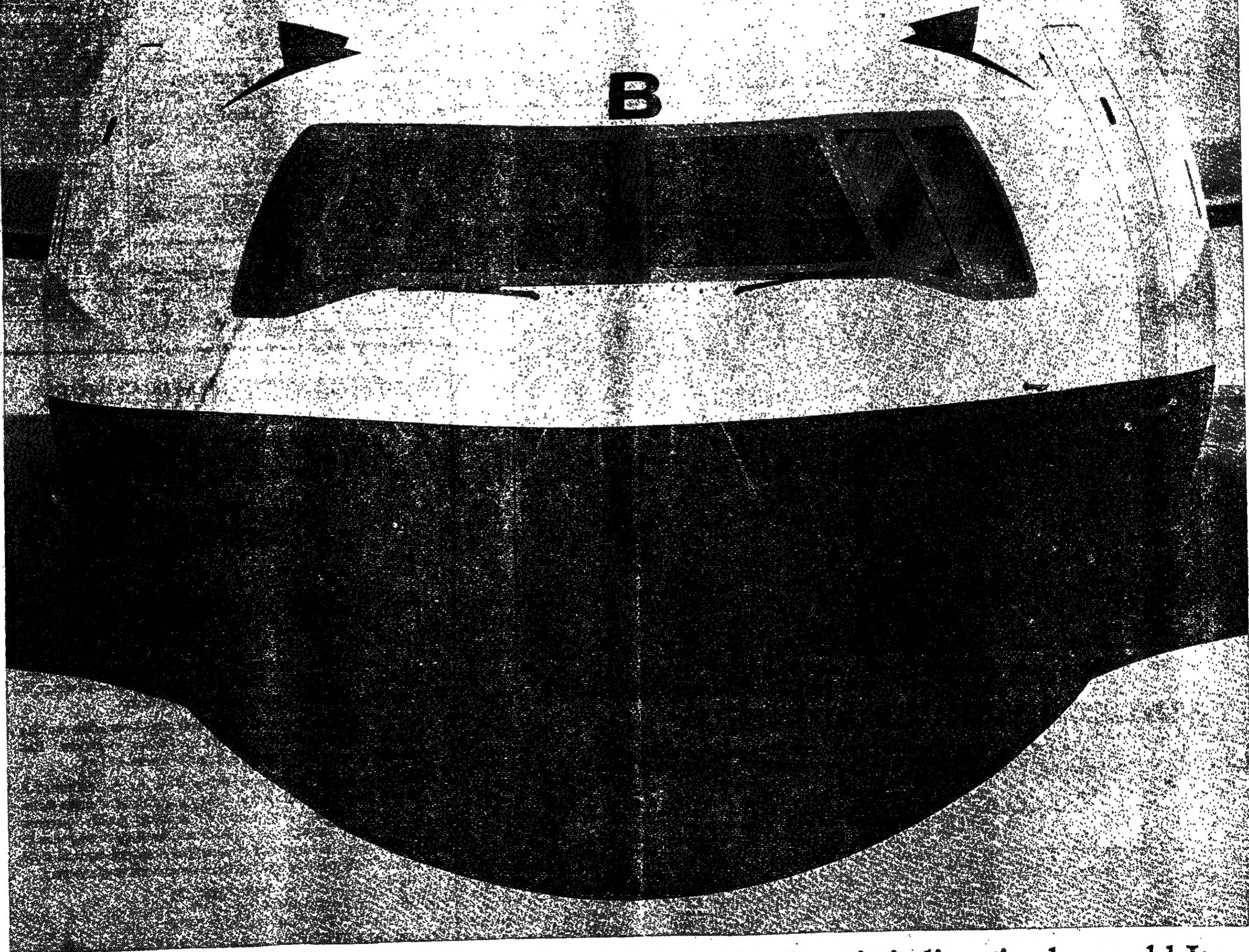
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April 17 1979  
Financial Times Tuesday April 17 1979  
PACKAGING  
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# There's nothing like it under the sound barrier.



The new TriStar 500. It's the most advanced subsonic jetliner in the world. Its navigation control is second to none. As is the on-board computer.

It's slightly shorter than the original TriStar. But that's a breakthrough in itself: all the comfort of a wide-bodied jetliner in a plane that can travel further without refuelling. And that saves you time.

From May 7th our new TriStar 500s will be flying to Abu Dhabi and Dhahran. So you'll have a choice between the world's only supersonic aircraft, and the best in subsonic flight as well.

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We'll take more care of you.







# Building and Civil Engineering

## UK and U.S. in big Cairo project Study of irrigation in the '90s

MULTI-NATIONAL agreements setting up the Cairo Effluent Consultancy signed last week provide the first example of UK/U.S. co-operation in a major overseas aid project, likely to result in initial top priority work worth \$500m.

The ceremony took place in the offices of the Minister of Housing in the presence of the British and American Ambassadors.

The agreement for the consultancy services on the Cairo effluent system's reconstruction and extension is between the Ministry and representatives of

Ambic, a consortium of two U.S. and two British consulting engineering organisations.

Aim of the project is to enable Cairo's grossly overloaded sewerage system to cope with the continuing growth in population from 8m now to an estimated 16m by the year 2000. Grants of \$50m and \$100m have been promised, respectively by the British and American Governments, towards expenditure on the offshore costs of the British and American goods and services needed for the implementation of the project.

Ambic will provide the consultancy services for the scheme. This grouping consists of Taylor Binnie and Partners, comprising John Taylor and Sons and Binnie and Partners (Overseas), both of London; and BVI-CDM Associates. The latter includes Black and Veatch International of Kansas City; and Camp, Dresser and McKee of Boston.

Egyptian engineering support will be provided by a consortium of leading Egyptian consultants comprising Atco, Tencon and Sames.

## Study of irrigation in the '90s

BATTELLE GENEVA Research Centre has decided to launch a group study covering the technological evolution and the market opportunities of irrigation and drainage systems over the next decade.

Proposed research programme will be conducted by Battelle-Geneva in close collaboration with the other centres, particularly Battelle-Northwest in the U.S.

The study will be carried out in over 30 countries and will provide participating companies with technical and economic information fundamental to product development and business planning.

More from Battelle at 7 route de Drize, 1227 Carouge, Geneva, Switzerland.

## \$1½m awards to Tilbury

NEW BATCH of contracts awarded to Tilbury Construction, worth a total of £1.5m include a \$422,000 job for the London Borough of Hammer-smith for the erection of a day centre and tenants' meeting hall at Blakes Wharf, London, W.6.

Company's civil engineering department at Ipswich has secured a £318,000 order for site works, drainage, sheet piling and accommodation works for the new single carriageway road between Landseer and Rarburn Roads, Ipswich.

Its Belvedere office is building the £200,000 Cranham Hall A177 accommodation bridge on the M25 site at Stifford Road, Aveley, Essex, for the Department of Transport, Eastern RCU. Tilbury at Belvedere has also won a £166,000 CEGB contract at Bradwell Power Station, Essex, for the construction of a brick building for effluent final delay tanks; and a £150,000 retaining wall scheme for Gravesham Borough Council.

Ipswich Borough Council has also placed a £200,000 contract for 1979-80 surfacing and maintenance of various roads.

## Big German excavator ordered

A DEEP-CUT bucket chain excavator claimed to be capable of cutting to a depth not achieved before by a machine of this type is being built for the Mons open-cast chalk mine of Cimenteries CBR S.A., Brussels, by Maschinenfabrik Buckau R. Wolf AG, Grevenbroich, a Krupp subsidiary.

Its capacity is 425 tonnes per hour of wet chalk, at a cutting depth of 52 metres below track level and a slope angle of 50 degrees.

The 770 tonne excavator has a contract value of about DM 8m and assembly is scheduled to begin in March 1980, commissioning in the following September.

With the ground water table lying 4 metres below ground level, almost all of the chalk has to be recovered under water. A track shifting machine follows the track-mounted excavator. At each traverse it automatically shifts the entire trackway with the conveyor mounted on it in the direction of excavation. The distance depends on the depth of penetration of the buckets.

## Dual-role generator

LATEST ADDITION to the range of RTD Swan Close Road, Banbury, Oxon (OX9 3494) is a one unit generator-compressor, the Diamond Power Pack II.

Available in two sizes, the units have the facility of dual voltage and promise to be of particular interest in the contract building and plant-hire markets.

The 12-10 model delivers 1.2 kVA (max) and 280 litres per minute (max); and the 25-14 model gives 2.5 kVA (max) and 400 litres per minute (max) with maximum pressure of 7 kg/cm<sup>2</sup>.

Smaller unit is completely portable (it weighs just 73 kg) and is mounted in a sturdy tubular steel frame. With a fuel tank capacity of 6.5 litres, it gives a continuous running capability of four to five hours.

Larger model weighs 138 kg, is also mounted in a tubular steel frame, and is fitted with wheels for easy manoeuvrability. Both sets are powered by a

## Over £3m contracts for Costain

TWO CONTRACTS, together totalling just over £3m, have been won by Richard Costain.

Civil engineering division has been awarded a £2.6m contract by the Property Services Agency for work at RAE West Freugh, near Stranraer, Scotland.

Work here comprises bulk earthworks to excavate and re-grade 750,000 cubic metres of sand dunes, construction of three concrete pavements, one

400 metres x 200 metres x 300 mm thick, and two 200 metres x 120 metres x 150 mm thick, laid on 150 mm of dry lean concrete; the construction of about 16,000 square metres of tarmac roads, 3, 4, and 5.5 metres wide, and 48,000 square metres of stabilised soil.

A four-storey office block at Aberystwyth, for the Property Services Agency, Wales, is the subject of a £450,000 contract. This Crown building will be

occupied by the Department of Health and Social Security and the local Vehicle Licensing Office.

Work has already started on the building which will be constructed in reinforced frame on piled foundations with brickwork facing and precast concrete cladding panels. Contract also includes the provision of car-park areas, drainage services and ancillary work.

## Vibratory roller for small jobs

TWO pedestrian-controlled double-drum vibratory rollers, for smaller asphalt jobs, backfilling trenches, etc., are offered by Aveling Barford International, Invicta Works, Grantham (0476 67351).

The 650 kg VC 065 and 900 kg VC 095 both have hydrostatic transmission which provides infinitely variable forward and reverse speeds with maximum vibration at all times, says the company.

## Brassfoundry watchdog

CONCERNED AT the import of low quality fittings, the National Brassfoundry Association reiterated in London last week that foreign-made fittings were generally viewed as being below acceptable U.K. standards, both in terms of quality and in-situ operation.

The Association says that it continues to play a protective role in the industry, acting as watchdog and, when necessary, alerting the trade.

Directly linked to this exercise is the NBA Performance Assurance Scheme for British taps (introduced in 1974) which warns British installers of possible disadvantages of using Continental taps and identifies approved taps with a corporate symbol.

Closely involved with the technical side of the engineers' and plumbers' brassfoundry industry, the Association's technical committee draws up draft

standards concerning the specification of products.

It is fully represented on BSI committees and has contributed considerably to the establishment of new British Standards. In its dealing with various technical committees of the Department of the Environment and National Water Council, it has become a significant voice in the preparation of legislation concerning the industry.

Now, announces chairman, Mr. Julian Usher-Smith, its members will be joining together to form an NBA exhibition stand, for the first time, at Interbuild 1979, NEC, Birmingham, December 2-5 this year.

Association members participating in this 38th international exhibition include Barking Grobe, Conex-Sandra, Deltaflow and Peglers.

Further from the NBA, 5 Greenfield Crescent, Edgaston, Birmingham B15 3BE.

## Ready-made buildings

FOLLOWING the installation of new metalworking plant, part of a £11m development plan, Rippin Structures of Auchtermuckty, Fife, Scotland, has launched a new range of structural steel buildings.

It is stated that the buildings will meet the majority of ground area requirements and be available initially in three spans—16, 20 and 24 metres, and three heights of 4, 5 and 6 metres, all designed to a similar principle to facilitate easy future expansion. They will be available as complete packages including heating and ventilation, power lines, water and steam supplies.

## Scaffolding emergency service

RADIO CONTROLLED, 24-hour standby emergency service is being operated in 11 inner London boroughs by the dangerous structures unit of John Shelbourne and Company, utilising a special scaffolding service from GEN Mills Building Services, (01-567 3053).

Local authorities can call on this service any time of the day, on any day of the year, to deal with emergency works—shoring or demolition of a dangerous building, removal of unsafe cladding from blocks of flats, clearance of debris and dangerous structures after fires, explosions and storms, etc.

## Copes with sewage

LOCAL authorities and private developers are being offered small packaged sewage treatment plants by Clearwater Systems.

Each fully enclosed plant incorporates a rotating biofilter which, says the company, is preferred by most water authorities for sewage treatment plants serving populations of under 2,000, or the equivalent. The plants, which are marketed under the trade name Biospiral, run silently and are said to be odourless.

Clearwater, which is a member of the Conder group, has its headquarters at Guildford, Surrey (0483 33831).

## Lessening the risk of skids

FOLLOWING experiments with a new road surface dressing binder called Surmac back in 1977 and subsequent successful, albeit limited use in this country and overseas, BP Oil has now produced a short film describing the material. Local authorities are the main target. The film sets out to demonstrate how this binder provides very good skid resistance even

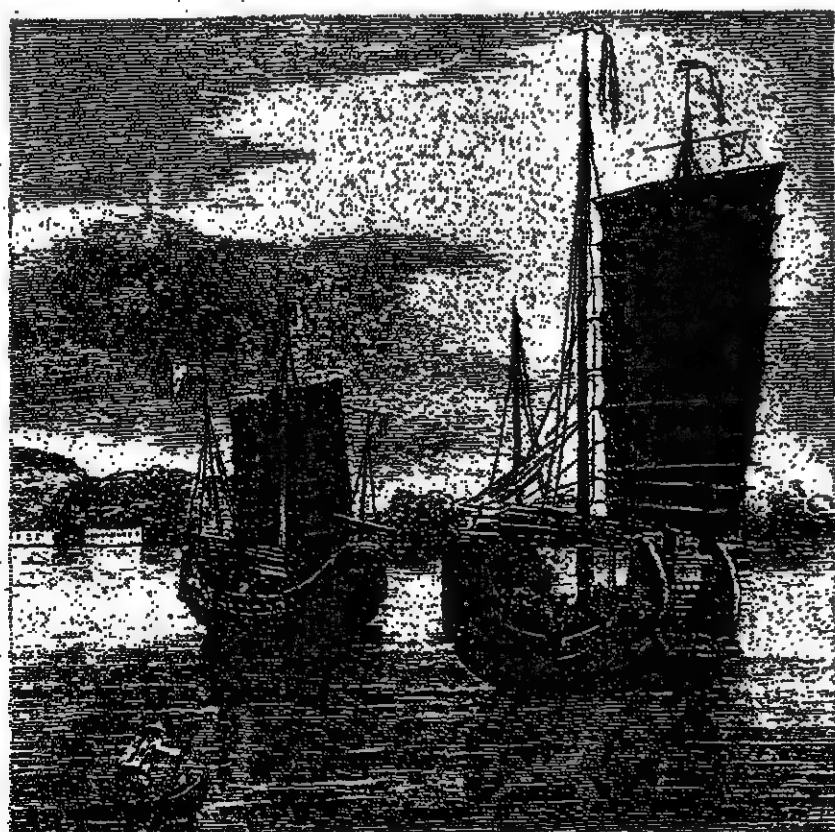
on roads classified as A2—difficult—by the Department of Transport. Its strength says BP Oil comes from the addition of polymers.

Developed jointly by Astor Chemical and BP and first reported on this page on October 4, 1977, Surmac is thin enough for spraying with conventional equipment. It is claimed to be particularly

suitable for restoring skid resistance on roads carrying high speed traffic, and for roads subject to sharp braking and acceleration.

About 100,000 square metres of road were treated with the dressing in 1977 and 200,000 square metres last year. Roads treated with the dressing can be reopened almost as soon as it has been laid.

## The development of international trade owes much to the foresight of merchant bankers.



Original sketch of 16th century scene in Fiat East

The earliest method of international trade was by barter. The introduction of money and the eventual acceptance of foreign currencies accelerated the flow of goods and services. Here the skills and flexibility of merchant bankers played an invaluable role.

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## THE MANAGEMENT PAGE

## BL-Honda: the real reason for Britain's failures

BY KEN GILL

THE news of BL Cars' possible link-up with Honda of Japan is followed by the announcement of record import penetration figures for the British car market. This is no accident. Both developments highlight a crucial weakness in the British motor industry.

The Leyland predicament is the inevitable consequence of short-sighted policies by the company, the National Enterprise Board, and the Department of Industry. Government wages policy was the final nail in the coffin.

The major reason for Leyland's inability to compete effectively in the volume car market is the company's failure to develop its engineering resources. For three years now TASS, which organises over 7,000 qualified engineers and technicians at the company, has been warning of the consequences of this neglect. (TASS is the Technical, Administrative and Supervisory Section of the Amalgamated Union of Engineering Workers, or AUEW.)

In April 1977 AUEW-TASS produced a report "Leyland Cars — A Crisis of Design and Tooling Capacity". This was a response to growing concern in the union about the situation within British Leyland. It quickly became clear, however, that the problems revealed at British Leyland, were common to the whole of the British motor industry.

## Weakness

Our study uncovered a major weakness. The British machine tool industry and the country's engineering design companies are simply not equipped to meet the requirements of the British motor industry. The consequences are threefold.

First, the "British" motor industry is increasingly reliant on imported technology. This must adversely affect the employment levels and training provision for skilled designers in Britain. Secondly, it represents a drain on the balance of payments and a block on the development of Britain as a technologically advanced industrial nation.

Thirdly, it places the only indigenous and publicly owned British motor company, BL, in a position of being forced to use machine tool and design companies with direct links with its multi-national competitors. In an industry where commercial secrecy and future model plans are linked to competitiveness, this cannot be healthy.

A union leader argues that Leyland has failed to use its engineers properly.

We presented this report to the Department of Industry. We argued our case with the company whenever it sub-contracted major design and tooling work to European companies without consultation. Finally our members refused to co-operate in the operation.

Each time the company called emergency meetings, and convinced us that in the short term sub-contracting was essential if it was to become effective. Each time our members withdrew sanctions on the promise that these were short-term expedients and that the company would make every effort to build up its own engineering resources. But nothing happened.

The position deteriorated and in November 1978, TASS produced a further report. This highlighted acute design staff shortages and linked this to the crippling effects of Government pay policy. On staffing levels the report said:

"At present BL Cars have a staffing establishment of 148 design engineers in the tooling function. But the effects of pay policy have taken their toll and there is a desperate staff shortage in this area. Only 90 designers are currently employed. It is our view that to meet the five-year model programme, a staffing level of at least 280 experienced designers is required. Increases of the same proportions will be required in the numbers of planners, estimators and in the body design areas."

The efforts made by the company to resolve this problem have been thwarted by the rigid application of pay policy.

Efforts by BL Cars to recruit

skilled technicians from the labour market have been a failure; in fact there has been a large decline in the technical labour force over the last three years. This loss of skills is continuing and as with Ford, Chrysler and Vauxhall, many of these technicians are being lost to the British engineering

industry altogether. The technical trail to Europe is well trodden by deserting design engineers.

The chart below shows how the tool design facility in BL Cars has diminished.

Average number of designers  
Jig Designers Tool Designers  
1960-1979 80 1972 180  
1977 20 1977 70

The result of this loss of capacity has been that the company has increasingly turned to sub-contractors. In 1977 105,000 hours of tool design work were placed with sub-contractors within the UK, and another 22,000 hours placed abroad.

Wage rates in BL Cars have become uncompetitive. Competitors within the UK are paying an average £1,000 per annum more for Body and Tool design draughtsmen. Draughtsmen prepared to go abroad can earn up to £16,000 per annum (The Engineer, January 12, 1978). A West German draughtsman earns £280 a week basic. So it is absolutely essential to the survival of the company that its employees enjoy salaries and conditions comparable with the best achieved elsewhere.

The report concluded with two demands. First that Leyland Cars management quickly and extensively develop its own design, tooling and engineering capacity. Secondly that the National Enterprise Board establish a public sector design house capable of meeting the current and future requirements of the British motor industry and other advanced manufacturing sectors of British industry.

In February TASS presented its arguments to the Parliament

tary Select Committee on Science and Technology. On the day the General Election date was announced, a TASS delegation met with officials at the NEB.

So far the silence has been deafening, and now, in the reasons he gave for the proposed deal with Honda, Michael Edwards has revealed the company's technical weakness to the world.

It has been a salutary experience illustrating a critical weakness in the strategy designed to regenerate British industry. If the country fails to reward adequately and treasure its qualified engineers and technicians it will lose the ability to design and develop new products. We will become a nation of assemblers increasingly reliant on imported technology. Skills and jobs will go and British engineering, which once led the world, will become an also-ran.

## Treasured

The Honda deal served to highlight the crisis. In Japan engineers are treasured. As he fits a manufacturing nation, they all the boardrooms and are at the top of the salary league. It is time British engineers took their place in the sun: TASS will use all its collective strength and bargaining expertise to bring this about. In the meantime TASS members in Leyland Cars will not stand idly by and allow the company to further run down its engineering resources.

It is not widely understood that if we lose BL Cars we can say goodbye to the whole of the British motor industry. The existence of a major domestic manufacturer places a constraint on the American and French multinationals — Ford, Vauxhall, Chrysler-Europe. It ensures that, for political and marketing reasons, these companies will retain a substantial manufacturing capacity in Britain. Without such a constraint the rationalisation on a European basis would be speeded up and British capacity run down.

Ken Gill is general secretary of AUEW-TASS and a member of the TUC general council.

BERTELSMANN, the \$1.5bn-plus publishing group, has just joined the small group of West German companies which is trying to improve the credibility of their "social balance-sheets" — documents in which they attempt to assess their performance as it affects their employees and the outside environment.

The Sozialbilanz, as the social balance-sheets are called, has not had a popular reception in Germany. The first attempts from Steag in 1973 and Saarbergwerke in 1974 were plainly intended as apologetics for air pollution by these energy firms. Later attempts from chemical (BASF) and oil (Shell) companies were seen cynically as whitewash for environmental pollution.

From the beginning, German trade unions have dismissed the reports as a blatant public relations ploy, an intrusion into the unions' domain of workers' social welfare, and a forum for complaining about wage increases.

Nor has the practice really caught fire. Six years later, only 20 firms publish any form of Sozialbilanz. But scores of firms are reportedly considering the idea; even the unions appear to be relenting in their opposition — they have announced their intention of formulating guidelines for these "socially-based reports."

Against this background, Bertelsmann has attempted in its second Sozialbilanz (the first was published as a separate report) not only to improve the document's credibility, but to integrate it into the traditional annual report — thus creating a more comprehensive account of the company. The results are far from perfect — a point which Bertelsmann people are quick to concede — but it is offered as a working basis for further evolution.

## Commitment

The commitment comes from the top. Reinhard Mohn, management board chairman and chief shareholder of the private company, has his own ideas and the freedom to implement most of them. One of those ideas is that a Sozialbilanz is the proper format for reporting the full scope of a company, which Mohn promotes as a micro-organism of political order.

The 1978 report makes real efforts to respond to criticism. The balance was drawn up in collaboration with the works council, whose chairman took part in the annual press conference last month to testify to the genuine participation of the workers. (Union critics, though, are likely to scoff at the docility



## Germans' sour social debate

of the Bertelsmann council.) Results of a survey of employee opinion provided some reaction to the company's stated goals.

In several details, the report attempted to accommodate union criticism. For instance, "creation of value" calculations have been sharply attacked for measuring added value by subtracting all expenditure for raw and semi-finished materials from the company's production, and then pointing proudly to the high proportion (around four-fifths) of added value that goes to the work force. The Bertelsmann report includes the total value of production and shows the value distributed to the workforce at a more realistic 20 per cent.

Mohn himself stresses that this second attempt is still very much a beginning. "I am not at all happy with our social balance," he told the annual press conference, adding that the company was in a "learning phase."

Manfred Harnischfeger, director of public relations, admitted that the report still does not clearly underline negative factors. Expressly addressed primarily to employees, it does still smack of internal propaganda. The virtues of the company's salary levels, health insurance and genuinely exemplary profit-sharing plan are highlighted by comparison with national averages.

One drawback that is noted — i.e., a company with a 50 per cent female workforce had only

four or 0.8 per cent in the 480 management positions — is accompanied by the observation that "at the moment, we see no possibility of bringing more female employees into management positions without creating unfair privileges."

The discussion of Bertelsmann in its environment ranges unevenly from the sociological role of its major product (books) to the annual pensioners' party and is hardly equal to a multi-billion-mark media concern whose tentacles reach practically into every form of communication and most continents in the world.

Along with BASF, Shell, Rank Xerox, Saarbergwerke, Steag and Pieroth, Bertelsmann forms a working group for "social balance-practice". A report from the Institut für deutschen Wirtschaft published in February tells how this group has loosely defined three main components for a Sozialbilanz:

1—Social account (Sozialrechnung): a statistical balance drawn from the earnings statement showing expenditure in six areas: employees, capital suppliers, physical environment, the public, the state, and the company itself. These are without commentary.

2—Creation of value (Wertschöpfung): the added value a company has achieved is presented as a link between traditional accounting and the macro-economic accounts.

3—Social report (Sozialbericht): a verbal account,

anchored in statistics, of the goals, measures, and accomplishments of a company in its social relations.

The Bertelsmann report incorporates explicitly the social report and creation of value but has no separate breakdown of the social account. Mohn himself warned of any attempts to find quantitative norms for measuring a company's social performance.

A respected management newsletter, *Fachbrief*, last month told its readers that, outside Germany, doubts about the Sozialbilanz are growing. The Bonn-based newsletter said Swiss banks are advising their clients to hold back. Not only is the public reception ambivalent, but the report can be a two-edged sword (if it is to achieve any credibility).

Moreover, the reports tend to excuse or downplay the role of profit and could be dangerously misleading, argues the newsletter. Corporate critics can also use the Sozialbilanz as a wedge to demand disclosure of the "hidden reserves"—that beloved bookkeeping trick which enables many European companies to hide so much of their profit.

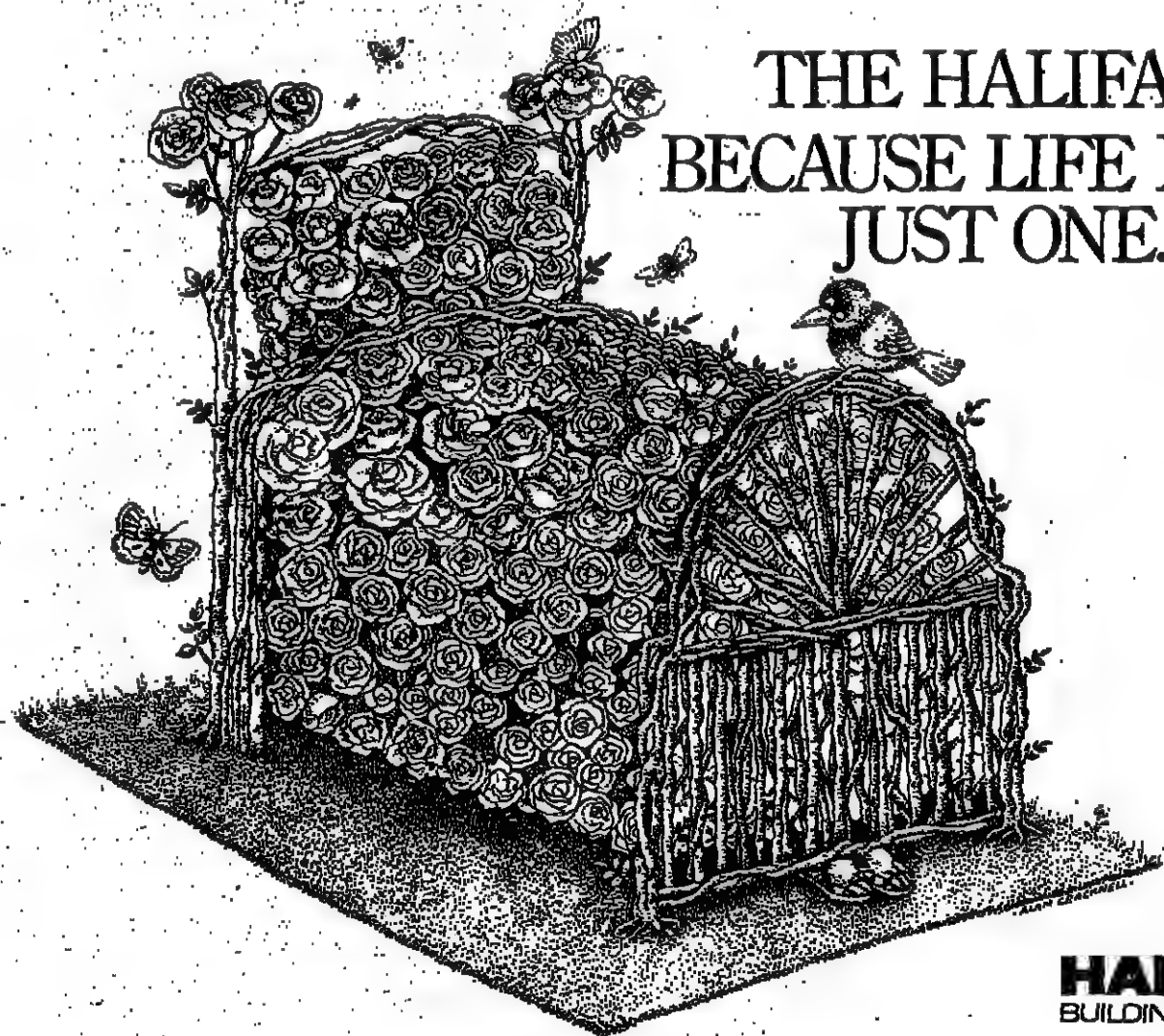
The question arises whether the community at large would not be better served just by an improvement of the existing annual report: for instance, in Germany, profit and loss statements could more closely reflect the reality of a company's earning power.

## Absurd

Take Bertelsmann. The group reported a 1978 net profit of DM 58m, absurdly registering a decline from DM 67m the previous year. But Hermann Hoffmann, Bertelsmann finance chief, let slip that operating earnings (which he didn't define) were up by DM 56m (for which he provided no base of comparison). He pointed out that write-offs on acquisitions and expansion expenditures resulted in a charge of DM 75m against earnings (also a readjustment of the tax structure increase of the tax bite). The annual report does show net cash flow up to DM 54m from DM 232m in fiscal 1977.

Mohn himself conceded, "It is relatively difficult to decipher our earnings position from the balance sheet." The company's several overseas operations, as well as its introduction of a first-time consolidation of clear definition for cash flow, in fact, admirably advance the cause of improved company reporting as much as many aspects of the Sozialbilanz.

Darrell Delamaide

THE HALIFAX.  
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JUST ONE.

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BUILDING SOCIETY

Bacardi & Company Limited recently commenced proceedings against Courage Limited and others.

Following a meeting between Bacardi and Courage, it has been agreed to terminate these proceedings on the following basis.

Courage confirms its policy and intention that in its Managed Houses, when Bacardi rum is ordered it is served, or if not available the fact of its unavailability should be clearly stated.

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# Avoiding reform for the worse

BY SAMUEL BRITTAN

THERE IS no particular magic in any one measure of the volume of a paper currency. In the days when long term price stability was normal, the ultimate reserve asset of the banking system was gold; and any tendency to large-scale inflation was automatically checked by an outflow of gold from the country.

The main reason for paying special attention to some chosen monetary aggregates is a practical one. If central banks are attempting to control a paper money system they need look at a few actual numbers so that corrective action can be taken as regularly and automatically as possible. The central measure that is used for this purpose, M3, has its limitations; but there are some suggested reforms which would be a change for the worse.

One example discussed from time to time is shifting attention to the narrower measure, M1, consisting mostly of notes and coins and current (or "sight") accounts. The objection of principle to this course has been set out very well by Tim Congdon in a recent issue of *Messers' Weekly Gilt Edged Monitor*.

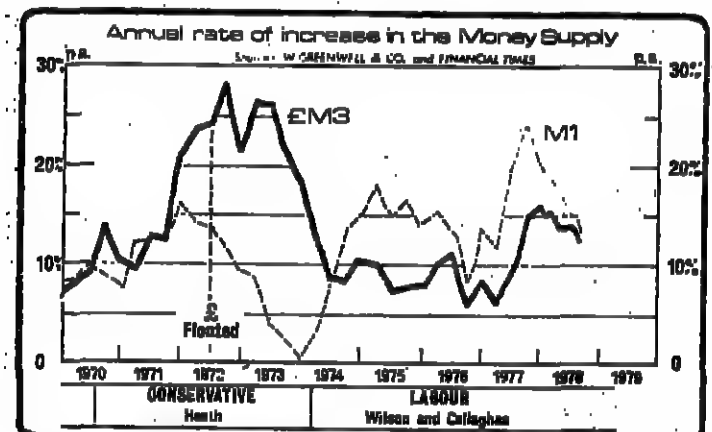
The crucial point about M1 is that it is "demand determined." That is people can decide for themselves how much to hold. If people want more notes they simply draw on their bank accounts; and if they wish to replenish their current accounts, they make transfers from their deposit accounts.

By contrast, people cannot increase at will the total of M3, which includes all bank deposits. If I want to increase my bank deposit, I can do so only by obtaining deposits from someone else; a process which involves changes in interest rates, price levels or total real spending.

Because M1 is demand-determined it has a closer statistical fit with the movement of money, national income and interest rates. But this is a classic example of the pitfalls of the fashionable form of curve fitting—known as multiple regression analysis—as a guide to policy. The chart shows that the M1 measure would have let us down when it was most needed. As Congdon remarks, "there never was a 'Barber boom' on the M1 definition." On the other hand, the trend of inflation since the middle 1970s, should have been upwards, on the basis of M1.

Nor is this a hypothetical rewriting of history. Official apologists for the monetary explosion under the Heath Government were constantly drawing attention to the less alarming movement of M1. The reason for the discrepancy in the behaviour of the two measures in 1973 and 1974 is in fact not far to seek. Because nominal interest rates were rising in 1973-74, while inflation was still in single figures, people had an incentive to switch to deposit accounts. By contrast, an attempt to link that abatement of inflation with M1 involves an improbable lag of nearly four years.

The question remains open whether we should use as a supplementary measure still broader aggregates which include Building Society deposits. There is also an argument at the other extreme for focusing on the monetary base—that is the reserve assets of the banking system—which is not even officially measured at present, but which American economists are coming to regard as the key to the whole system. In any case M1 on its own is a curious hybrid of little use to man or beast.



## TV/Radio

Indicates programme in black and white.

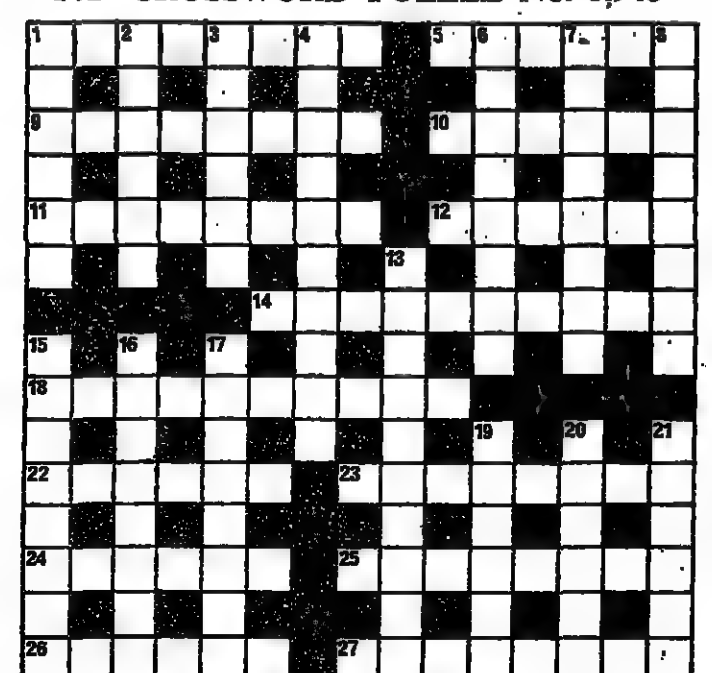
**BBC 1**

9.55 am The Wombles. 10.00 Jackanory. 10.15 Lark-a-Lympics. 10.35 Why Don't You...? 12.40 pm News. 1.00 Pebble Mill Children's Special. 1.50 The Plumpies. 2.45 Pantomime Y Cwm. 3.15 Rovers. 3.30 Songs of Praise. 3.55 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.30 Basher the Little Elephant. 4.45 Tarzan Lord of the Jungle. 5.05 John Craven's Newsround. 5.10 Stopwatch. 5.40 News. 5.55 Nationwide (London and South-East only). 6.30 Nationwide.

**BBC 2**

11.00 am Play School. 11.10 pm Easter Matinee: "The Great Mr. Handel," starring Wilfrid Lawson. 6.50 Snooker. 7.15 Mid-evening News. 7.25 Making a Bob or Two. 7.35 Nice One. 8.10 A World About Us Special: David Attenborough introduces the 1979 Expedition Film Competition for The Mick Burke Award. 9.00 Election Broadcast. 9.10 Call My Bluff. 9.40 Man Alive. 9.50 Snooker. 11.20 Late News and The Hustings.

## F.T. CROSSWORD PUZZLE No. 3,948



- ACROSS**
- Careless mistakes made by brick carrier (8)
  - Tommy's name for relations in the women's service (6)
  - Line not recorded by underground conductor (4, 4)
  - Southern Railway embracing baby stier (6)
  - It is not clear how the old boys were healed (8)
  - Learner in faultless state (6)
  - Stadium used to draw the line on fundamental principle (6, 4)
  - Top-line on railway noticed visionary (6, 4)
  - Revolutionary part of play to prepare for publication (6)
  - Dashing to meet presentable girl on cloud nine (8)
  - Organisation striking perfectly well (6)
  - Symbol of working class clergy going to go one better (5, 3)
  - Sex-appeal can before end of day become glossy (6)
  - Complaint that can be picked up on beaches (8)
- DOWN**
- Like this student fellow to be enthusiastic about... (4, 2)
  - ... fashionable garment to place in office (6)
  - Shoot up the odds on utter defeat (8)
  - Fruitful oil supplier without experience put in shade (5, 5)
  - Fool of a cat seems sleepy (3, 5)
  - Ruin I get for organising conspiracy (8)
  - Riddle newsmen hid (8)
  - Too roughly made is in vigorous condition (4, 6)
  - Extremely interesting but useless to upset Rugby Union promises to play (8)
  - Firm a little bird finds going strong (4, 2, 2)
  - Part taken by father over law suit (8)
  - Run-away forward in Lancashire (6)
  - Average church beginner makes a packet (6)
  - Journey round southern examination (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

**BLOCK-DISCOUNTING** is a well-known service offered by finance houses to traders who do a substantial business in hire-purchase and credit-sale agreements with their customers. The essential feature of block-discounting is that, in return for immediate advance of cash, the trader sells to the finance house at a discount his interest in the agreements that he has entered into with his customers. The courts have generally held that such transactions should be considered to be sales of debts and not treated as loans or charges upon the property of the trader. But in *Lloyds & Scottish Finance v. Cyril Lord Carpet Sales* and others recently before the House of Lords, an attempt was made, unsuccessfully, to construe a block-discounting arrangement as a loan.

**Unworkable**

There was no suggestion in the present case that the block-discounting was other than a genuine agreement, but it was claimed that it was unworkable, with the result that the parties had not acted in accordance with its terms. They had shelved it and instead chose to conduct their business differently in such a way that the trading agreement was converted into a loan secured on the trader's books debts. It was that, the court found, that was correct, the finance house would not have been able to retain the book debts or their proceeds as against the trader's liquidator. They would have been in the situation of a creditor for money lent who had failed to register a charge upon the property of a company under the provisions of the Companies Act.

**Old practice**

Block-discounting is merely a variant upon the age-old practice of financiers in the City of London of discounting bills and notes. It is today an adaptation of that historic business to the modern circumstances of hire-purchase and credit-sale. The finance house looks only to its discount for its profit: once the trader has met his commitment for the advance and the discount charge out of the moneys received or receivable from his customers whose debts

**Tromos likely for 2,000 Guineas**

BY ABOUT a quarter-to-four this afternoon we should know if Tromos has trained on to become a worthy odds-on chance for The Thousand Guineas. A classic which has seen the eclipse of such "hot pots" as *Apalachee* (4-11), *The Minstrel* (6-4) and *Tru My Best* (10-11) in the past five years.

If, as reports suggest, Tromos has done everything asked of

him in recent weeks, there is absolutely no reason why he should not put his two opponents, Warrington and Lyphard's Wish, firmly in their places.

A handsome chestnut by Busted out of the almost equally talented *Stilvi*, Tromos fully earned his 1978 position at the head of the English and the newly instituted International Classification with outstanding performances in both the Clarence House and the William Hill Dewhurst.

It is difficult to judge in

**RACING**

BY DOMINIC WIGAN

him in recent weeks, there is absolutely no reason why he should not put his two opponents, Warrington and Lyphard's Wish, firmly in their places.

A handsome chestnut by Busted out of the almost equally talented *Stilvi*, Tromos fully earned his 1978 position at the head of the English and the newly instituted International Classification with outstanding performances in both the Clarence House and the William Hill Dewhurst.

It is difficult to judge in

**Radio Wavelengths**

1 105.3kHz/225m 3 121.5kHz/247m  
2 105.3kHz/225m 4 121.5kHz/247m

**RADIO 1**

(S) Stereo broadcast  
5.00 am As Radio 2. 6.00 Dave Lee Travis. 8.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Personal Call. 10.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-6.00 am As Radio 2.

**RADIO 2**

VHF Radio 1 and 2—5.00 am With Radio 2. 8.02 pm Tuesday Night is Gail Night (S). 9.02 Among Your Supporters (S). 9.50 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

**RADIO 3**

5.00 am News Summary. 5.02 Tony Brundson (S). 7.30 Terry Wogan (S). 12.00-1.00 pm The Big Breakfast (S). 1.00-2.00 pm The Big Breakfast (S). 2.00-3.00 pm The Big Breakfast (S). 3.00-4.00 pm The Big Breakfast (S). 4.00-5.00 pm The Big Breakfast (S). 5.00-6.00 pm The Big Breakfast (S). 6.00-7.00 pm The Big Breakfast (S). 7.00-8.00 pm The Big Breakfast (S). 8.00-9.00 pm The Big Breakfast (S). 9.00-10.00 pm The Big Breakfast (S). 10.00-11.00 pm The Big Breakfast (S). 11.00-12.00 pm The Big Breakfast (S). 12.00-1.00 pm The Big Breakfast (S). 1.00-2.00 pm The Big Breakfast (S). 2.00-3.00 pm The Big Breakfast (S). 3.00-4.00 pm The Big Breakfast (S). 4.00-5.00 pm The Big Breakfast (S). 5.00-6.00 pm The Big Breakfast (S). 6.00-7.00 pm The Big Breakfast (S). 7.00-8.00 pm The Big Breakfast (S). 8.00-9.00 pm The Big Breakfast (S). 9.00-10.00 pm The Big Breakfast (S). 10.00-11.00 pm The Big Breakfast (S). 11.00-12.00 pm The Big Breakfast (S). 12.00-1.00 pm The Big Breakfast (S). 1.00-2.00 pm The 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## Business Travel

The rapid growth of business travel in recent years reflects both the increasing internationalism of trade and industry and the spreading network of high-speed communications. For the travel industry it has become a major source of revenue, displaying a stout resilience even in times of recession.

### Busy circuit, big money

By Arthur Saddle

THE GAP between myth and reality is probably as large in business travel as anywhere else. The business traveller's image is one of hard living, gourmet eating, first-class travel only when Concorde is not available and, just occasionally, a little discreet business. The reality is often a long way from this. It is the long wait in an airport lounge in a shirt that should have been laundered two days before. It is the struggle to find a telephone line to London; it is the battle with the immigration man over visas; it is the potential buyer who intends to squeeze every drop of pleasure from his position of power.

Well, to be honest, let us say that both images are something of an exaggeration, but the travelling business community does occasionally suffer from an

over-flattering legend of being part of the jet-set lifestyle.

Business travel, whatever its image, has come of age during the past decade. Recent years have seen an increasing sophistication in the services offered to the business community, but also an increasing sophistication in the understanding of business people.

This understanding has been deepened by two factors. The growth of international business travel has itself bred an understanding of what can be achieved. The European who finds that in the U.S. airlines have later check-in times, greater leg room, seat allocation and larger and better enforced no-smoking areas is reluctant to accept lower standards on his home ground. The American who finds European trains can whisk him between major cities with a speed and frequency which surprises him is driven to ask why he too cannot find this in his own country.

Today's ideal business hotel is, we hope, a mixture of American design and physical efficiency, of European catering and management standards, and of Oriental quality in its service.

But added to this deeper knowledge on the part of the traveller there is a greater awareness of the importance of money. The economic downturn which followed in the wake of the oil crisis (the last one, that is, not the current one) awoke many a corporate treasurer to the need for tighter controls and many an individual business person to the realities of financial life. There is today, among the business community, a much



One of the problems business travellers face: passengers at Heathrow Airport affected by the 1977 air traffic controllers' dispute wait at the check-in points for news that their planes can leave.

greater willingness to question prices and to seek alternatives.

The greatest single indication of the way in which life has changed is the fact that the number of companies which have travel managers is now probably in the majority, which was certainly not the case only a few years ago. These travel managers may not themselves be actual purchasers of tickets or organisers of trips (although

they often are), for this role is frequently handed over to one of the growing number of specialist business travel agencies. Instead the travel manager acts as a co-ordinator ensuring that the company's travel is being properly handled.

Where such a task is still in the hands of assorted secretaries it is easy for two executives to find themselves flying to the same place for

similar purposes; for someone to make, for example, one-week trips every two months to a destination without realising that there is a cost-saver's dream; for an assortment of car rental houses to be in use when a large discount could be gained from patronising just one.

Such is the complexity of air fare structures alone it is of some importance that there should be one person in any

organisation of consequence that understands a little of the travel world.

The reason for the business community's popularity with the travel industry is not hard to track down. Business travel is a massive source of revenue. One executive can quickly run up an airline bill of \$4,000 or \$5,000 without much trouble and if he is a real long haul

stay-away the figure could be several times that. A large international organisation or company can easily have a total travel budget running into several millions. The eager salesmen are keen to beat on the doors of the right people—such unlikely doors as those of the World Council of Churches in Geneva, which is a spring from which flows a torrent of airline bookings, or the Red Adair organisation in Texas, now firmly under the belt of British Caledonian who have pledged always to get a 707 to Mr. Adair when he needs it for freighting men and equipment.

### Exotic

Not everyone has demands quite as urgent and exotic as Mr. Adair, but most business travellers have needs which demand something above the level of the average High Street travel agency counter clerk. For example, having had my overseas hotel room robbed and thus lost an airline ticket recently I took comfort in the 24-hour service offered by my agent—unused as it emerged, since the thief tried to cash the ticket, and the airline called me.

The secret of all travel agents, including business houses, is that they operate not out of the friendliness of their hearts but for commissions. Thus a travel agent is not all that interested in a business account which is confined to brief short-haul journeys. The commissions will vary from the 8.5 per cent which many airlines will give your agent in return for placing your booking through them, to around 40 per cent which he will get from some insurance

companies on travel insurance. Car hire can be quite profitable to him—the rates war among the giants means he will sometimes get 30 per cent of the basic rental fees—but the bulk of his commission levels will be in the order of 7-10 per cent.

Clearly if most of your transactions are for a few pounds the agent will not be interested. A test of this is to walk into a High Street agent and ask for a train ticket to some provincial town, an overnight hotel, and an onward ticket to another town. It is the sort of deal many agents will look at with contempt. A business travel house, however, learns to take the rough with the smooth, cheerfully if not happily making low-cost overnight reservations but looking to the day when you choose that first-class scheduled flight to Tokyo and back.

Past experience has shown that the business travel market is remarkably resilient. The economic recession of the past few years may have given everyone pause for thought but it has done very little damage to actual traffic. Hotels are still being planned, aircraft are still being built and cars are still being added to fleets. There seems every reason to think that the business person is still going to be the much wooed customer in the future. That being the case there is still probably a little room for some further conservatism in the field. The business community may in recent years have learned how to read timetables and count the figures on a hotel bill, but it is not yet clear that they have learned to complain.

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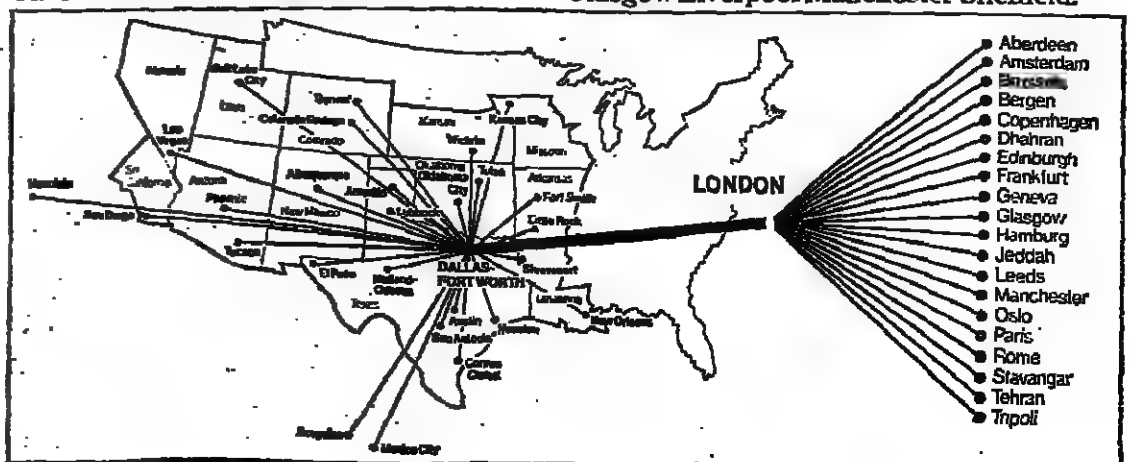
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INCENTIVE TOURISM seems to be one of the growth phenomena of travel in the seventies. Over the past few years there has been a spectacular development of companies specialising in incentive travel or diverting some of their corporate time to it. What can be its attractions?

As far as the consumer is concerned, these are fairly easily seen. Travel's advantage over conventional incentive rewards (gold watches for long service, cash bonuses for good time-keeping) is that the company offering travel is giving dreams—an extra which the employee might not save for themselves. Travel as a reward for an employee or a sales outlet is much more likely to provide a family motivation than many other items—golf clubs are unlikely to enthrall the salesman's wife very much—and yet at the same time the actual trip itself can often be allied to work, such as a conference, which will be of use to both company and employee.

For the travel business incentive travel has sizeable attractions. Not only is it often group travel, but also it is frequently off-season and, in many cases, the client is more interested in the quality than the price.

This last point is an important factor in the setting up of any incentive trip. A good salesman who is being rewarded for a fantastic year's work by a trip to the Bahamas is not going to find himself well-disposed towards his employer if he cannot afford to eat or drink in the de luxe hotel in which he has been placed for two weeks—a not unusual event in the world of incentive travel.

It is for this reason that companies tend to avoid spoiling the ship for a haporth of tar by trying to tie up as many loose ends as possible. Incentives are not, however, simply a matter of sticking a target into an employee's pay packet and giving him the tickets when the target point has been reached. Most companies that have become involved in the incentives business take a considerably more sophisticated look at things than that.

One of the basic problems is that incentives and motiva-

tions differ from person to person and have to be tailored not only to companies, but also if possible to individuals or at least groups. As one cynical motivator said, not long ago, in any one company there are 10 per cent of people who will never produce more no matter what goodies are showered upon them, and there is another 10 per cent who will work their hearts out regardless. It is identifying and motivating the other 80 per cent which is the problem.

## Restraint

Wage restraint and the increasing difficulty some companies have in paying different salaries according to productivity have led employers to look more closely at the question of incentive schemes, and particularly at incentive travel.

The enormous advantage of being able to mix business with pleasure is one that should be discounted as simply just another sales line. I have been on incentive tours which have been really hard work for those

involved, with long periods of meetings and briefings on new products or new sales methods, and yet the mood has been one of receptive relaxation. The company has put its message across while the staff are feeling they have had a good time.

What bedevils the incentive travel business at the moment is that it is such a fashionable area of activity that it is attracting people into it who have little real expertise and a great deal of ambition. Unfortunately it is an area of travel that requires more, rather than less, skill. An incentive tour organiser is more likely than not to be required to show a wide degree of knowledge of conference organisation as well as the organisation and running of a social programme.

As well as the incentive houses which specialise in that alone it is quite normal now for the larger agents and operators to have completely separate divisions for the incentive travel market.

What is particularly useful in this is that agents become used

to assessing particular problems. It is not the case, of course, that travel is the great cure-all for every industrial ill. And above all, any company which decides upon any sort of incentive scheme the difficulty is not always starting it, but ending it when its useful life has

been exhausted. Taking all the employees off to Bermuda for a couple of weeks in the autumn may not be the wisest of tours for any organisation to embark upon as a permanent condition of employment.

Arthur Sandles

## Packaged savings

THE BIG—and not so big—travel agencies have discovered that their business house clients are taking a closer look at their travel budgets—not a surprising development in a growing area of cost where a large corporation can spend £1m or more a year in business travel.

Many agents, particularly the large (20 per cent of travel agents are reckoned to handle 80 per cent of the business travel market), are even drawing their clients' attention to a form of travel that can in some instances save up to 50 per cent of travel bills.

Business travel packages, which still comprise only a small proportion, probably less than 10 per cent, of the total market, are a natural outgrowth of the holiday package and are attracting interest by companies which take the trouble to plan executives' itineraries in order to maximise on savings that packages can afford. In some cases packages are so flexible that little difference between them and instant purchase travel can be noticed.

## Rules

In the past businessmen have ignored packages, mainly because they were inconvenient. Outward and inward journeys had to be made on specified days and ironical stipulations the number of nights that could be spent in an hotel. In an industry much given to initials, ITX has changed much of that.

ITX stands for Individual Inclusive Tours, special fares offered by scheduled airlines over much of the world. Travel agents buy ITX tickets and then carry them to hotel accommodation at discount prices. Not too much attention, however, should be paid to initials. For some countries they seem to die soon after birth. For Far East destinations, for instance, ITX fares have been superseded by so-called GV group fares as the preferred fare for package travel.

For the businessman who can plan his travel a package has much to offer. Take, for instance, a six-night visit to Düsseldorf, one of the most visited business destinations for British businessmen. With air fare and six nights at the Ramada Inn (£28.50 a night) purchased separately, the cost amounts to £277.50. It could be bought as a package for £229, a saving of 17 per cent.

Dexterous use of the Weekend IT fare, which means that the traveller must leave after 8 pm on Thursday nights, can obtain the journey and a one-night stay at the hotel for £85.50. Given the assistance of a professional travel agent, the permutations are endless.

The drawback, of course, is that flexibility does end somewhere. The use of ITX fares invariably means that the traveller must spend a minimum of six days and nights and a maximum of one month abroad, a condition not always agreeable to the traveller whose business requires no more than a two-night stay.

Use of the weekend IT fare is also limited to travellers who can fly out late on Thursday or any time on Friday or Saturday and return the following Sunday, Monday or Tuesday. The drawbacks are obvious, and conditions are unlikely to be altered by airlines, which still rely heavily for their revenues on the full-fare passenger.

The package market has brought about a welcome development in business travel: the use of travel agency muscle to buy hotel accommodation in bulk and offer it to the businessman for less than he could obtain from the hotel.

A growing trend for these kind of packages has been noticed by Mike Gattas, commercial tours manager of Hogg Robinson: "Major travel agencies are now negotiating deals with de luxe and first-class hotels that can produce savings of up to 50 per cent for the business traveller," he said. "Behind this development is the fact that companies are

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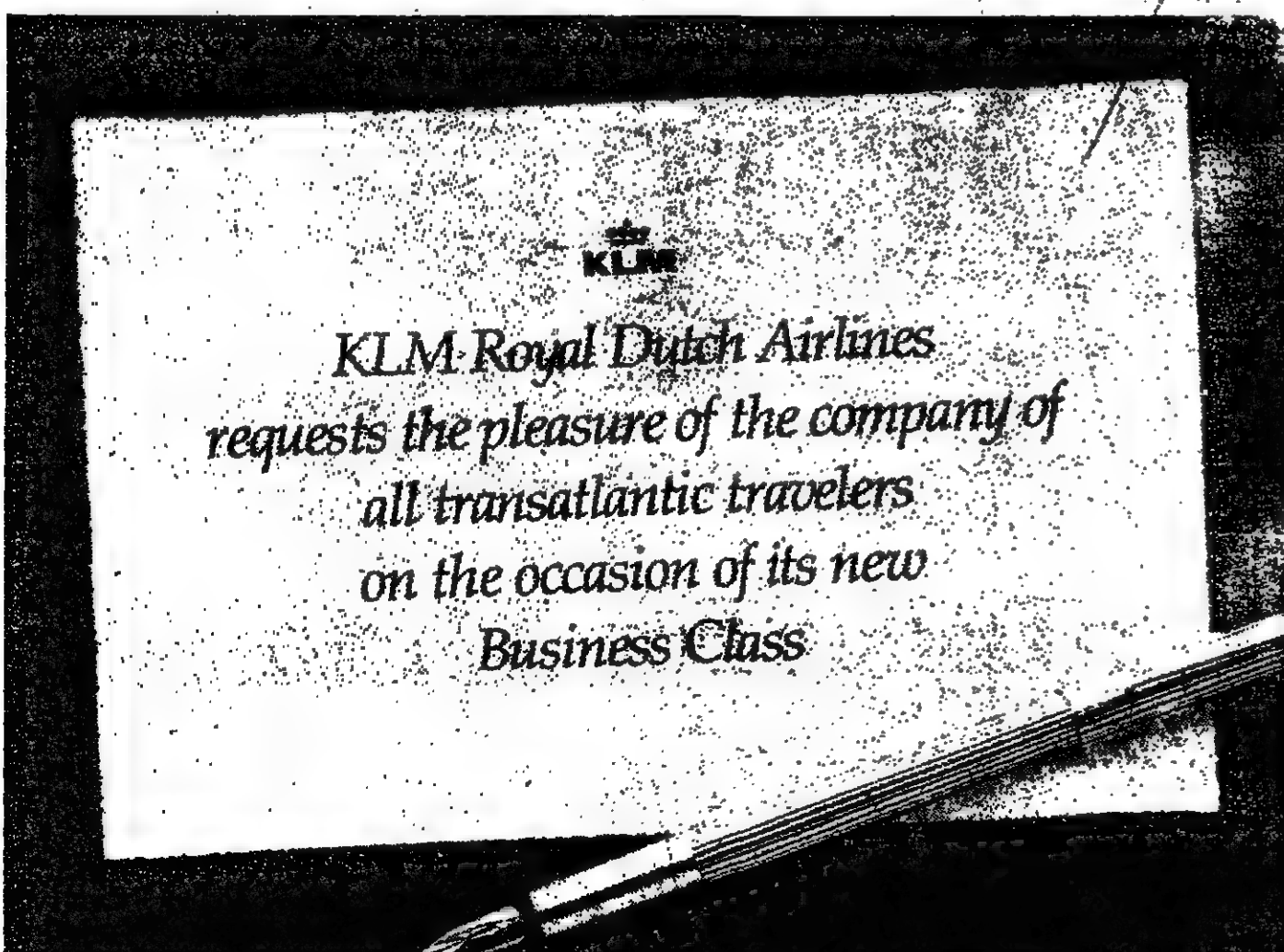
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PERHAPS IT is a compliment to British Rail, but the moment my London Underground train stopped for more than 10 minutes in a tunnel I knew I would miss my Inter-City connection to the North. Sure enough, I did. It would be foolish to suggest that all trains leave on time, and even worse to suggest that they always actually arrive when planned, but European, including British, inter-city communications are remarkably reliable when compared with those of some other countries and even the time-keeping of other forms of transport. We still tend to ask that our trains run to within a minute or two of their schedules, while few indeed are the aircraft that leave the ground within 60 seconds of advertised time.

British devotion to the railways (devotion is a relative word) has paid off as far as custom is concerned. Upgrading a service has immediate and appreciable consequences for carryings. The introduction of the Inter-City 125 services between London (Paddington) and the West and Wales produced 20 per cent more traffic once the full 90 runs a day schedule was working.

### Savings

Of course the time savings have been impressive. In the good old days the run from London to Bristol would take 1 hour 47 minutes, and this has been cut to 1 hour 25 minutes. Bristol used to be 2 hours 16 minutes from London, but is now 1 hour 45 minutes. Clearly this is a considerable argument for leaving the car at home, in spite of the presence of the M1, one of Britain's pleasiest motorway drives.

British trains are now the fastest in the world in regular service on normal tracks carrying all traffic. The famed Japanese Bullet trains were specially designed for their runs and the tracks carry nothing else. The French TGV trains, which are a little slower than those in the UK, are generally limited to passengers who pay a supplementary fee.

Speed is not of course everything. Recently I rode in an American train through Texas. It was 45 minutes late in arrival and the crew had to wait for the train to be cleared.



High-speed trains like this one have cut journey times between Britain's cities and tempt businessmen to leave their cars at home.

There was a station for the gleaming monster to arrive. There were no station buffets, no bookstand and, as far as I could see, no lavatories. The train itself, however, was very impressive. Air conditioned, deeply carpeted, very quiet and with superb seating. Once we actually started, the ride surprised me with its speed and the price was surprisingly low—£3 for 70 miles.

The sense of being on the frontier was certainly considerably greater than on another recent journey, about three hours' rail travel in three different countries in Switzerland. On neither the outward nor the inward journey did any of the train's staff bring along 20 pounds before or after the scheduled stop.

relatively closely together and with fairly large residential areas between them, is much better territory for a rail system to survive the onslaughts of air travel than many others, of course. But in Europe the railways have been nurtured and maintained and we should consider ourselves fortunate for it.

The introduction of much higher speeds in the UK has sharpened the competition with aircraft, which are hindered of course by having out of town airports, often inconveniently located. Speed continues to be the aim of railway operators in the world over. The 200-mph train in Japan is a testament to this, but we should not forget that speed is not everything.

Inter-City services for some time to come. Even at that rate Newcastle comes within three hours of London, enough to match if not beat the centre-to-airport / to-destination-to-city time by air.

British Rail has all sorts of magic calculations aimed at proving that rail travel can be cheaper than road which, if you happen to be going from Oxford Circus to Princes Street it probably is, but not if you are heading from Tenterden in Kent to Llangollen in North Wales. Rail's appeal does not rest in playing with figures in this way, it lies in its ability to get you out from city centre to city centre in a degree of comfort which is not available elsewhere. It is not easy to work on an aircraft, in fact it is very

nearly impossible when travelling in a crowded tourist class, given the seat pitch that most European airlines provide. On a train it is simplicity itself.

### Appeal

The next development to be seen by the travelling public in Britain will be the Advanced Passenger Trains. The APT's appeal is not due to its speed, although this is high, it is its ability to maintain those speeds for long stretches in spite of bends in the tracks which might send passengers and luggage careering across the cars in a normal train. Special suspension systems will enable the APT's to hold speeds above 100 mph, and thus aim at a blow at those remaining areas of

aircraft domination of business traffic in the UK, the Scottish routes.

I suspect that as the fuel position continues to deteriorate internationally so enthusiasm for trains, or whatever may be the tracked transport of the future, will develop. That being the case, we may now be watching not the last fling of a tracked world trying to ignore the march of science, but simply an intermediary stage before even greater speeds and comfort. Not that such thoughts were much use to me as I sat on the Metropolitan Line, hoping against hope to get to Euston Square. But I suppose the APT would look a bit odd starting from Hammersmith.

A.S.

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# Coping with the rules

**BUSINESS TRAVEL** breeds myths. The one that it is fun, roughly akin to an extra holiday, now only lingers in some company backwaters. The new myth that it is easy to travel thousands of miles in a matter of hours and conduct business in much the same way as at home will be harder to kill.

But no myth is likely to spring from the mass of rules and regulations that now engulf travellers who set off confidently from the well-worn racks of Europe and North America. They are far too evasive to support romantic notions.

Albania, hardly a boom market for business travel, is a good case in point. Here entry regulations strike the few tourists who venture there as something of a farce.

Apparently dismissing the absurdities as just part of the local colour and unlikely to affect a good away-from-it-all holiday, one tourist, writing to a national newspaper, reported that on arrival at Tirana Airport "one male member of the party was required to take a haircut, another to change his trousers three times (too wide, it seemed). My wife and a number of other women had to change from slacks to skirts. Not one member of the party complained or grumbled."

Experienced travellers would probably have had the sense to look up Albania's quaint regula-

tions, with the help of a travel agent or an airline, and discovered that the government there does indeed refuse entry to visitors who do not comply with fashion requirements. Currently banned, for example, are long and/or unkempt hair, beards, mini-skirts, maxi-skirts and extravagant trousers.

## Precise

Some countries are far more precise. The British Overseas Trade Board warns businessmen that under Malawi law it is an offence for men to wear bell-bottom trousers or to have long hair. It notes: "Thus hair should not be allowed to trespass below an imaginary line drawn horizontally around the head at the level of the mouth. In the Decency of Dress (Amendment) Act 1974 bell-bottom trousers are defined as any flared trousers so made that the circumference of each leg, thereat measured along the bottom edge is greater than six-fifths of the circumference of such leg measured at its narrowest point parallel to the fore-said bottom edge."

Women visitors to Malawi are cautioned that they are not allowed to wear shorts or trousers in public and that they must ensure that their skirts and dresses are long enough to entirely cover the kneecap when the wearer is standing up. These regulations, incidentally,

do not apply in resort areas or in any sport for which mini-skirts, shorts and trousers are customary.

Costa Rica refuses admission to anyone with long and unkempt hair, a beard or "indecent" clothing and, incidentally, also bans citizens of Argentina, Cyprus or of any nationality and anyone who arrives without sufficient funds.

Until a few months ago, Tanzania barred women from wearing wigs or above-the-knee dresses and men from being clothed in tight-fitting or belted trousers, but that now is apparently rescinded.

Thailand also requires visitors to meet a standard of dress, but its rules are patently aimed at hippies, and while a Thai customs man once hesitated for a second or two over the reasonable length of my hair, he let me pass without ordering me to visit the on-the-spot hairdresser. Clothing apart, travellers must watch out for local bans. Unlikely to affect business travellers, it is true, but Austria forbids anyone from wearing a military or any other uniform while entering the country unless they are merely in transit through the airport.

Canada refuses to allow in tourist drums if they happen to be made of skins that come from Haiti. Barbados prohibits in-

coming passengers from carrying rum or matches and Czechoslovakia does not want anyone bringing in unused clothing for gifts. Turkey permits arrivals to carry only one pack of cards and entering Finland, a passenger is allowed to bring in no more than 2½ kilos of butter. Spanish newspapers are banned in Equatorial Africa.

Fiji appears to be having trouble with pilgrims importing Holy Water. Under strict rules to prevent the islands from becoming inundated with it, pilgrims are limited to just one pint and it must be carried in hermetically-sealed containers from the country of origin. The water must be certified to be free from cholera, typhoid or para-typhoid germs.

Businessmen visiting the Cook Islands from Honolulu, Nandi or Papeete should be warned that all incoming baggage is fumigated, a process that takes two hours. The official warning states that passengers should not pack tubes of toothpaste or shaving cream, fountain pens or any bottle containing a cork.

They are also doing something similar in Papeete, in French Polynesia, where all luggage arriving from Fiji is also given a 90-minute fumigation.

Official suspicion of photography is well known in some parts of the world. In Afghan-

stan, a traveller needs written permission from the tourist bureau in Kabul before he can take photographs, and China limits cameras to one per incoming family and will not allow in exposed but undeveloped films.

As part of its austerity campaign, Nigeria forbids arriving passengers to include champagne or sparkling wine among his duty-free allowances, even though customs men will not raise an eyebrow at a litre of spirits and a litre of wine. Passengers who disregard the ban are liable to a heavy fine or at least six months' imprisonment.

## Rejected

In the general field of travel, Libya is regarded by experienced travellers as one of the most difficult countries to enter.

The Libyan government demands that all travel documents, including health certificates, should be completed in Arabic. This prerequisite entails asking a British passport, which should bear no evidence of a past or intended visit to Israel, to the Passport Office and having a special Arabic-language stamp placed in it.

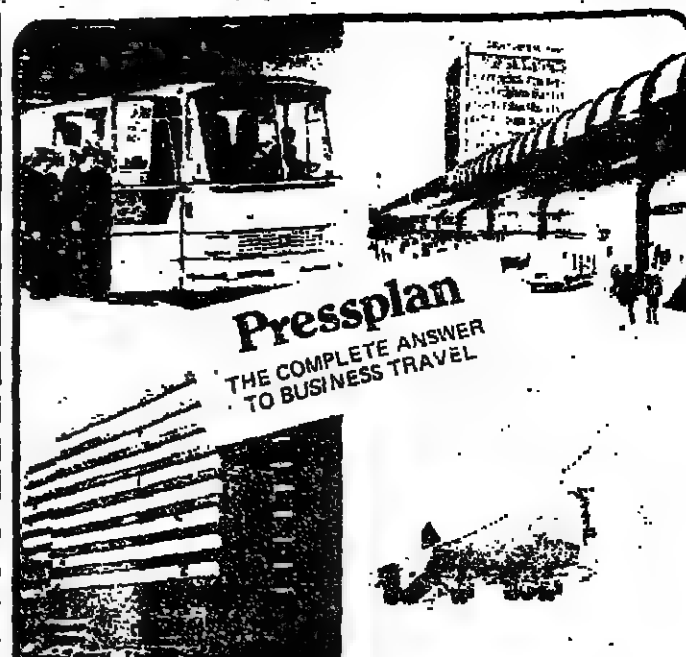
The visa form must be completed in Arabic, including the

passenger's name, and there must be no mistakes or omissions. One application was rejected because the passenger failed to name his accommodation address in Libya. His explanation that he did not know because his hotel was being booked by a Libyan government department was to no avail.

But there is some good news about entry to Libya. As a result of restrictions imposed by the visa department of the Libyan consulate on January 1 this year, it would not accept any more than 60 visa applications on each of the four days it was open—Monday to Thursday. In addition, no more than five visa applications were being accepted from any company.

No reasons for the restrictions were given, although travel agencies which normally handle this kind of processing believed it was in retaliation for alleged slow handling of Libyan travel documents by the British. As a result, queues formed outside the consulate as early as 6 am and intending visitors to Libya were warned that visas might take up to three weeks to procure. Libya has now removed those restrictions and visitors now have to wait no longer than one week.

Dan Hillman



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## Abundance of guide books

THE SUREST test for anyone who has even the smallest library of guide books is the speed at which they are "borrowed" by friends. If that be the case then the Michelin Guide to France is closely rivalled in popularity among my circle of acquaintances by the Egon Ronay Lucas Guide to the UK with the FT's own World Hotel Directory running in a late third.

Guide books run from the indispensable to the utterly ignominious, and unfortunately there are far too many of the latter. Anyone contemplating any form of trip, and particularly a foreign trip, should study the market with considerable care before making a choice.

As far as Britain is concerned the choice for the traveller as opposed to the holidaymaker or diner-out, has to be Ronay. With his work at least you snatch some idea of the mood of a place, a little bit of information which the stark text of Michelin does not impart, and it contains details of hotels, which the Consumer's Association's own Good Food Guide, does not. If I have a particular criticism of Ronay—and other guides—it is the absence of "last resort" suggestions.

It may be true that one can sleep but not eat in Hartlepool (I was born there and have fond memories of the winkles in particular) or Bolton, but it would be nice to be given some hint of a possible place to ease one's appetite. The AA Hotels and Restaurants Guide goes some way towards mending this fault while remaining more readable than the maddening Michelin, but on the whole the Ronay version is more informative.

## Glossy

Outside Britain the traveller must tread very warily indeed. There are a great number of guides with glossy titles and a deep lack of information. For some reason the U.S. is blessed, or cursed, with more than its fair share of these. Perhaps guide writers feel that as many places as possible must be mentioned, but that the whole country must be done as one. The result is that many of the guides are virtually useless once you step outside New York, Miami, Los Angeles and San Francisco, offering very scanty information indeed.

Fortunately the publishers of the Mobil area guides to the U.S. avoid this problem and they are by far the best series for sorting out hotels and restaurants, particularly if you are touring. I have yet to find the 1979 issues in a European store so cannot give prices, but even the 1978 versions are acceptable if you are leaving soon.

In Europe in general Michelin is reliable, if more so in France than in other countries. In particular, Michelin's maps are useful, not only for finding hotels and restaurants, but also for finding one's way around cities generally. A very useful aid to travel in Europe is the ABC Air/Rail Europe guide which offers main air and inter-city rail timetables as well as some connecting flights through to the

Middle East and North Africa. This guide (which costs £1.65 a month) is briefcase- or pocket-sized and is an extremely handy reference work. It is one of a wide range of publications done by ABC and any company travel manager should study the list of offerings.

On a world-wide basis 15 member airlines of IATA get together to produce the TIM (travel information manual) which you will find under most travel agents' desks. For your own copy contact PO Box 7827, 118x, Schiphol Airport, The Netherlands. Or try Air France or Quantas as two of the team members. TIM is not a hotel directory but a detailed and exhaustive list of the world's immigration, health, money and trade regulations. If you are a Tongan planning to enter Malawi, it will help as it will if you are a Norwegian planning a sales trip to El Salvador.

Tim is, however, a fairly sticky read. Dan Hillman's Businessmen's Travel Guide to the world's top trading countries (Cassell) is easier going if a little less comprehensive. The Hillman guide does, unlike Tim, list hotels.

## Electronic

If you have an electronic turn of mind you can check on a range of destinations on the GPO's Prestel teletext service. Mr. Maurice Minzely seems to have cornered this particular section of the market for the moment and is constantly adding to the mass of information already available on various cities and resort areas via Prestel. If you are in London and wish to experiment with Prestel, talk nicely to the people at the Portman hotel who are eager to promote the fact that they are in the forefront with its use in the London hotel world. Mr. Minzely is himself on hand from time to time so if the travel section of Prestel is not offering what you want you can actually take him aside and tell him.

The one thing to avoid on any business trip is the basic travel book. The publication lag is such today that a work of any literary pretensions is likely to take so long getting to the bookstands as to be more useful for its poetry than its fact on exchange rates, bank opening times, health requirements and even the form of Government.

For these you are better off turning to our own Governmental services and to the banks, who can often be very helpful indeed with briefing material—more so if you are a customer of course.

For myself I always add a few books for local colour reading when making a trip. A bit of Simenon for France, Thurber for the U.S., and any of the dozens of splendid writers about India (but the last one I took there was Old Tales from the Raj). The greatest success in this field was not, however, anything with such a vintage twist to it. It was Le Carre's Honourable Schoolboy, which I read while in its main location, Hong Kong.

A.S.



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## BUSINESS TRAVEL VI



Wooing the business traveller: British Airways cabin staff issue tickets for cash or against credit cards on the London-Glasgow shuttle service.

## Setting the tone in the air

DESPITE THE emphasis placed over the past year or so on the so-called "cheap fare" explosion, with the consequent increases in traffic on many long-haul routes, the business traveller remains the linch-pin of the world scheduled airline industry.

He (or she) it is who flies frequently, often early in the morning or late at night, paying the full fare for the privilege of doing so. He (or she) it is who not only wants, but needs, the flexibility of travel that comes from the ability to change travel plans at a moment's notice, and who expects a consistently high standard of comfort, convenience and service both on the ground and in the air, together with a high degree of punctuality and safety.

It is not going too far to suggest that without the business traveller's insistence upon the maintenance of such standards, the world's airline system long ago would have degenerated into the standards of cheap holiday flying, with cramped seating, minimal standards of ground and in-flight service, and far less

meticulous standards of punctuality.

The business traveller, in effect, sets much of the tone of the world's airline system, whether long or short-haul, international or domestic. There are few statistics of the volume of business travel throughout the world, but for all that cheap fares in the recent past have stimulated leisure and other traffic, it is probably still true to suggest that business travellers account for well over half of all world air travel—although clearly the balance varies widely according to the routes flown, and the times of day, month or year. Traffic to Palma, Majorca, on a hot summer Saturday is likely to be all-holiday traffic, but that to New York on a mid-week day February morning is likely to be substantially business in motivation.

Another aspect of the current world air passenger scene is that while a substantial volume of the business traffic does go first-class—last year on the North Atlantic, for example,

first-class traffic rose 19.3 per cent to 768,063 passengers—an increasing proportion of all travel is by full-fare economy class. The North Atlantic total last year in this bracket rose 21.7 per cent to nearly 12.6m passengers, and while much of this was due to the increase in low-fare leisure travel, an increasing proportion of it was also due to a growth in business traffic of all kinds.

The effect of rising costs on business travel is something many of the world's major scheduled airlines have spent considerable time and money on researching. They have discovered that more and more small- to medium-sized companies are tending to send their executives abroad in the search of business, but that because of rising costs, they are tending to send them increasingly economy class, rather than first. Increasingly, companies tend to employ travel managers whose task it is to seek out the cheapest rates consistent with comfort, executive dignity, and the ability to work at the end of a trip, especially if it is a long one.

This has resulted in an expansion in the number of full-fare economy class business travellers, whose companies are not prepared to pay first-class rates, and while the airlines persist in their campaigns to encourage more first-class travel, nevertheless they are now obliged to devote more of their time and attention to meeting the needs of this growing lower-fare class of business traveller.

### Campaigns

Along with this there has been a growth in criticism from those business travellers who, for their higher fares compared with cheap standby and other passengers, have been crushed into the same cabins, given the same standards of food and service, and generally regarded as part of the mass of cheap-fare occupants of the back-end of the Jumbo jet. It is a legitimate complaint, and one that many airlines have been slow to recognise.

But today many of them have accepted that a substantial proportion of their traffic does come from the business traveller who cannot afford first-class fares, and accordingly they have introduced what has become known as the "three class concept" of air travel. Involving the introduction of special cabins on the aircraft, giving a standard of service midway between that of the first class and that of the very low-fare class at the back of the aeroplane. These cabins have various names, but they all are intended to provide the same thing—a comparatively more peaceful environment in which to fly than that enjoyed by travellers paying less cash for their ride.

Whether these "second-class" cabins for that effectively is what they are, meet the individual businessman's requirements is a matter of opinion. But it seems clear that as costs continue to rise, this kind of "multi-service" concept is likely to expand, for it will be the only way that the scheduled airlines will be able to meet the aspirations of different classes of traveller.

Beyond this, the airlines are seeking to woo the business traveller in a variety of ways. As the old restrictive regulations of the International Air Transport Association, to which most scheduled airlines in the world belong, are swept away, the airlines will become freer to offer better and bigger inducements to win the higher-fare passengers. On the ground these inducements already range from special facilities for smoother and faster check-in to special lounges where travellers can wait for their flights, assistance in making car hire or hotel reservations, and the provision of secretarial and other assistance.

British Airways, for example, offers one of the broadest range of incentives to businessmen:

covering such things as help in arranging conference, information on markets, "executive cabins" on jumbo jets, over 60 associated hotels world-wide, an "Executive Club" that includes among other things reduced rates in many affiliated hotels, and special items like "Spouse Fares," whereby a wife can accompany her husband at a reduced fare.

Many other airlines offer comparable facilities, and it is always well worth any business traveller's time to inquire before starting a trip just what facilities the airline is prepared to offer. The extent of what is available just for the asking might surprise many business travellers who tend perhaps to complain before they really investigate.

### Short

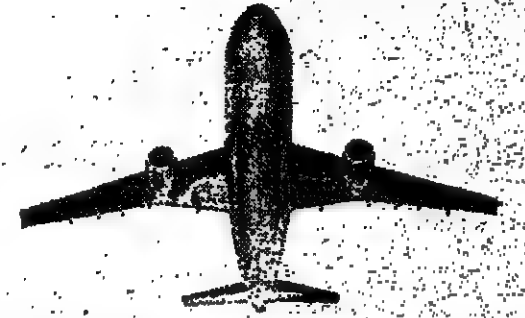
On the other hand they can be little doubt that many airlines fall short in what they can—or even should—do for the genuine business traveller. When all is said and done, what the business traveller wants most of all from any airline is a punctual, reliable, safe and convenient journey, from smooth check-in to rapid baggage recovery at the end, together with courteous, adequate and prompt information when things go wrong, as they sometimes do, and ready help in making alternative arrangements.

It is not a lot to ask, perhaps, although it does encompass the entire spectrum of airline operations. But it is surprising how often the little touches which cost nothing are ignored, and they can make all the difference between bringing a customer back to fly with an airline again, or making him go elsewhere. Nothing is more aggravating to a business traveller than the bromide voice of the stewardess on the approach to landing declaiming that she hopes the passengers have enjoyed flying with X, and will come back again, when manifestly the service has been bad, the aircraft is late, and the airline and its staff could not really care less.

Michael Donne

Aerospace Correspondent

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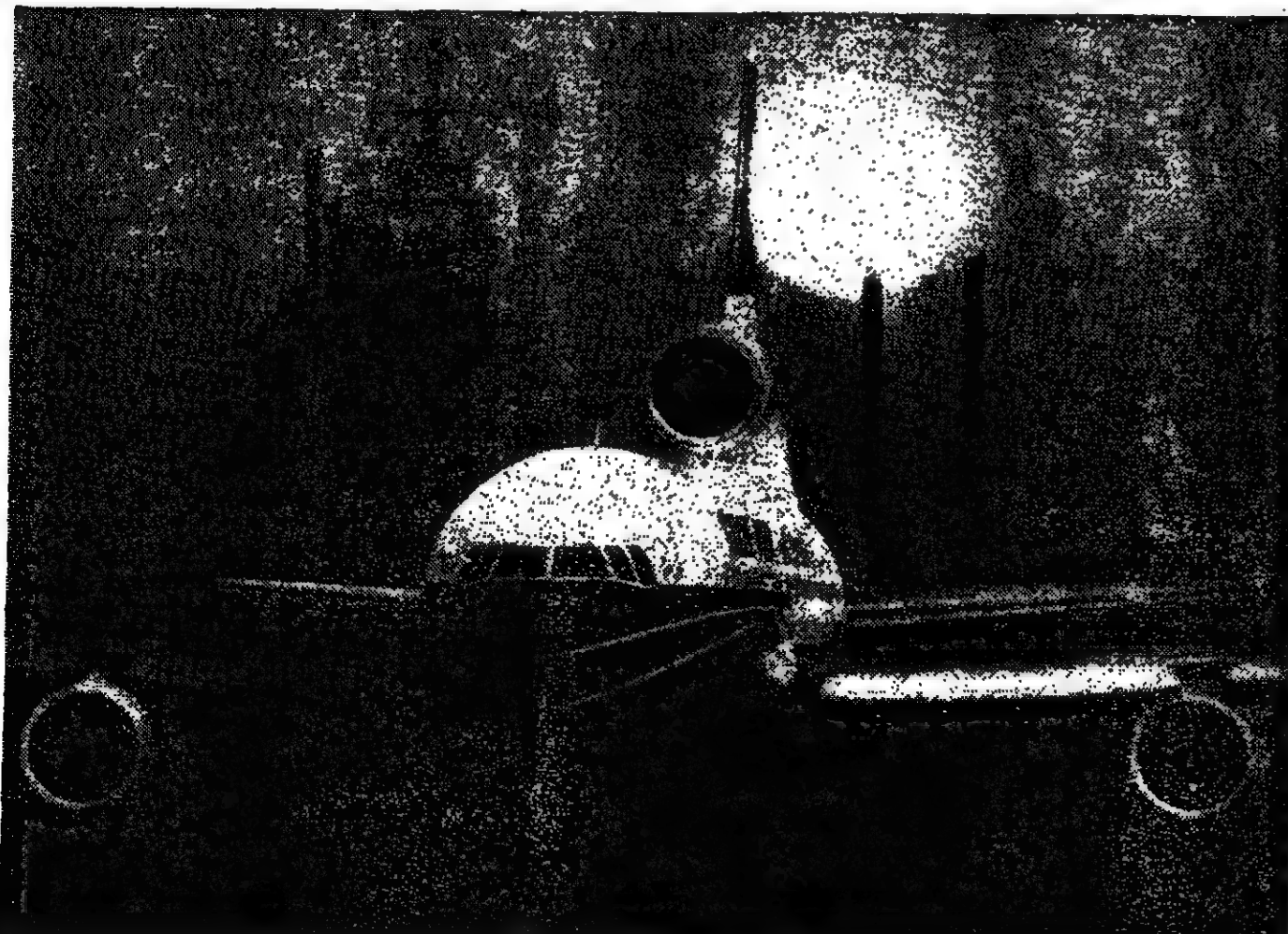
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# A credit card world

IN THE U.S. American Express is a rather less abrasive approach to its credit card seeking than it has in the UK. In Britain the hint is clearly that a non-cardholder is of doubtful status, in the U.S. here is a reversal of the approach and, instead of the offer seeking to see the card, the buyer is shown. Usually it is someone well known, but unrecognisable — the wife of a famous golfer perhaps — who all of a sudden is not enough, the reassurance of clutching a card is better... "never leave home without it."

Both sales systems apparently reduce results so both are probably suited to their market. Perhaps the British need a few more nudges to tell them they are now part of the credit card society, while the Americans need brand persuasion.

As far as the business community is concerned credit card penetration — at least as far as holding some form of card is concerned — must surely be nearly total. Travel of any length or distance without credit cards is certainly not impossible, but it is made more difficult, with the most extreme example probably being car rental. Seeking a long term un-planned rental of the take-it-here, leave-it-there type without a credit card would be, to say the least, awkward.

The credit card world, once a simple matter of American Express and Diners Club at the travel and entertainment end of the market and Visa (BankAmericard, Barclaycard, et al.) and Interbank (Access, Mastercard, Eurocard) at the con-

sumer, time payments end, has become considerably more confused in recent years.

This is to a large extent due to the mass subjects of credit card purchase — hotels, car rental and catering outlets — to avoid their own brand loyalty being slowly stolen from them by the card companies. Hilton would rather you chose the hotel because it was a Hilton than because it takes Diners Club cards. Thus there has been a proliferation of rival cards, spearheaded by the car rental companies, which not only give the holder the ability to obtain goods or services on credit, but also offer some tangible advantage for holding the card. Usually this means receiving some sort of discount, but occasionally it can mean the ability to queue jump with suppliers giving special cards which identify the holder as more than just a regular customer but also a highly valued customer.

Whereas, therefore, ten years ago one might have expected the credit card market to have narrowed slightly thanks to competition other than on a local basis the reverse is true. The caveat about local cards is added because there has been a decline in small local operations attempting to bring out their own credit systems to rival the majors. Most of these have now given up and gone over to acceptance of the normal credit cards. It is now a battle of the giants, it is just that there are a lot more giants.

Quite apart from the pro-

liferation of other cards, however, the business traveller is back to the basic four. Each one has its advantages and disadvantages, and all of them offer services to the business community.

American Express, with an estimated 10m cardholders world-wide, is considerably larger in membership than Diners Club, although Diners is said to have more outlets on its books. Since both organisations charge both individuals and companies for membership (in the case of companies Diners has a flat rate charge while American Express charges vary according to the number of cards) it may be that the corporate financial controller may wish to choose rather than use both. This is not as simple as it sounds. Unfortunately neither organisation is equally spread in strength. In some areas American Express is weak, in others it is Diners.

If you wish to choose between the two then get their directories first and examine them for outlets in the areas which your staff travel to most. See if the cards could have been used in the hotels and restaurants you most recently used — if not then they are hardly worth the annual fee.

Access and Visa have a considerably higher range of outlets, but the cards are traditionally aimed at a lower segment of the market, and unlike American Express and Diners do not offer a theoretical unlimited credit. You cannot use your Access card, like the Arab at the boat show, to buy your latest yacht (unless your credit limit is something rather extraordinary).

For company accounts, however, Access and Visa are not treated like their personally held counterparts. Normally they do not offer credit and payments have to be made, in full, when the account is presented. This is why company cards have fees, since the card operators are not collecting interest.

All the credit card companies hope to encourage further business by offering little extras to people who travel using the card-free life insurance, for example, on flights when the ticket has been bought with a credit card.

A purely personal view is that the well-armed credit card wallet contains one of the entertainment cards — chosen, as mentioned, by the nature of your usage — and one of the mass-market cards. The problem with both American Express

and Diners is that if you do not actually fancy a splendid meal and a fancy hotel then if these are the only cards you hold you are down to paying cash, which may be irritating on the last night in a foreign city. The more modest mass-market cards are well able to handle this problem, being acceptable in many supermarkets in some countries, and are certainly more useful for buying petrol.

To these I would try to add one of the car rental cards having encouraged my company into seeking a suitable discount for having pledged its business in that direction. With these, and the ever essential Eurocheque Guarantee Card and perhaps as many "important customer" cards as my travel manager could weedle out of the hotel groups, I would feel ready for the fray.

The one great bore of the credit card life, however, is losing the things. Only a couple of weeks ago a friend lost his collection in a small village in Colorado on a Saturday. By the time he had spent the day on the phone and with the local police they turned up again.

Being English cards the "borrower" had thought them useless and thrown them away.

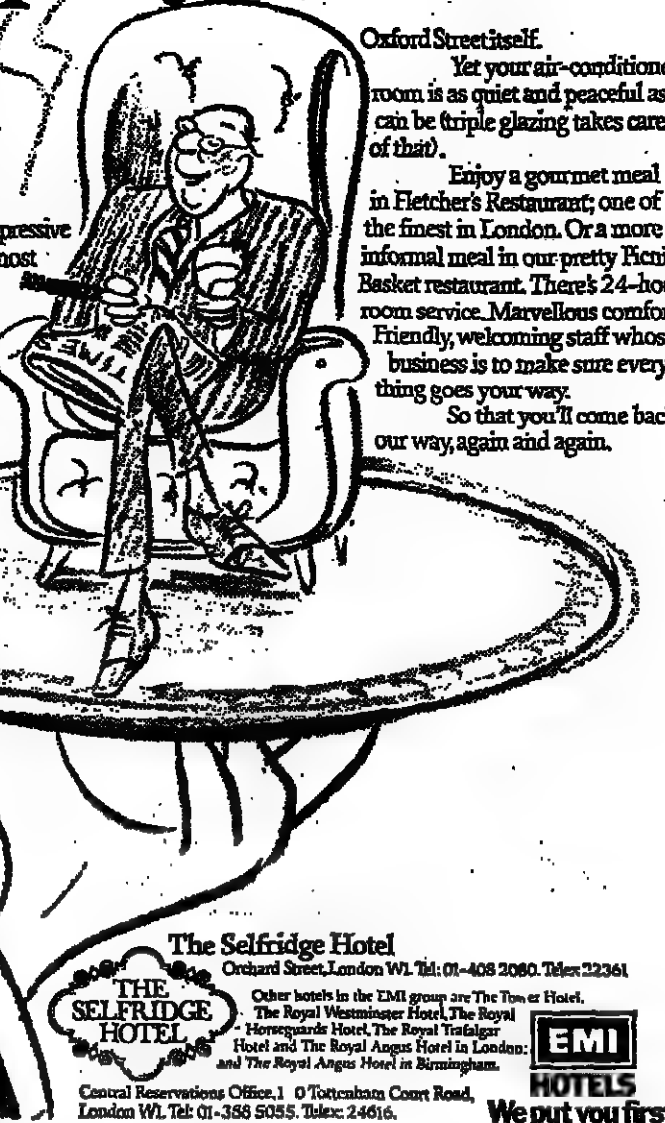
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## Airports and their faults

IT MAY be difficult to say with any certainty where the average business traveller would place hell, but my bet is that it would be an airport. Terminal Two at Heathrow, perhaps? More likely Tripoli, or even Miami on a hot July afternoon.

The failure of the world's airports to keep pace with changing world traffic is not necessarily the result of a permanent bout of bad planning, although most of us might at first think so.

The real reason is that airport planning has gone through a series of distinct changes, changes which were forced upon the airports by what they saw as the future of aviation. Since airport siting, development and operation tends to be a long term affair the tail-off effect of the previous plan lingers on. Basically you can blame the almost universal airport problems on the following sequence: when airline traffic started to grow quickly they thought the problem would be runways; then they thought it would be technology and flight controls; then they thought it would be baggage handling; and now it is simply crowds and crowds of people.

The impact of changing traffic demands can be seen in most airports in the world. The first airports in use after the Second World War tended to have a multiplicity of runways and relatively small, central facilities — London's Heathrow is a classic example. Today runway capacity is rarely a problem for an airport; indeed there are very few runways being built anywhere in the world except in developing countries.

As aircraft become larger but it emerged that they did not need landing areas as large as their size had threatened, so the airports began to think that the problem was in finding ways of keeping the flow moving of stacking it in the sky until it could land. In the late 1960s there was a rush of new technology both in the air and on the ground.

### Giants

But, instead of the crush of aircraft that had been expected, the planners found that the jets were simply getting larger. Instead of airlines which could carry 100 people or less, here were proposals for large jets which would in fact carry 400 or more. Initially they were preoccupied with what to do with all the baggage that such giants of the air would produce. Now, however, with both traffic volume and aircraft size up to the levels of the planners' worst fears, the airports of old are beginning to crack under the sheer weight of people.

The reason therefore that many of the world's airports are desperately overcrowded is that when they were originally conceived no one ever thought it would be possible to land that number of people on so limited a runway area. Although some airports are now running close to their technical maximum in

terms of aircraft handling, most are limited not by this problem, but simply the ability of the airport terminal itself to handle the human traffic created.

It is not much use saying that this might have been predicted 20 years ago. In practical terms it is difficult in this fast moving world of invention to see five years ahead, never mind the 30 to 50 or more that is involved in the planning of future airports. Are aircraft going to get faster, or bigger, or both? What is the impact of fuel shortages likely to be? Is new communications technology going to reduce the demand for physical travel, particularly business travel — if you can see and talk instantly to your contact in Rio, why spend a few thousands flying out to see him with your technical team? Will trains become so fast and efficient that air routes below 1,000 miles are unpopular?

The position is made worse in much of the world by the fact that the overcrowding, having moved from the runways to the terminals, is now spilling out into the streets. In other words the airports are gradually overcoming the difficulty of moving people from aircraft to pavement, but there then comes the obstacle of getting them away from the airport altogether. Any look at any international airport will show a large number of people simply standing around waiting to leave, or having arrived much too early for their flights in the fear of having delays.

Unfortunately many airports have no control over this particular aspect of their activities. In London, for example, it is London Transport's job to move the bulk of the foot traffic, and the Government's job to provide roads for the cars. In both cases neither local ratepayers nor national taxpayers would be widely enthusiastic about a vast investment in a potentially loss-making rapid transit system simply to make life a little easier for visiting foreigners and Britons who wanted to sample foreign joys.

What is not to say that things could not be a great deal better in many of the world's airports. Europe's decision many years ago to pick a central terminal design for its airports instead of taking the American option of a diffused terminal system was clearly a mistake, and attempts are being made in various places including Heathrow, to put this right to a degree. Certainly Government could be more helpful in the matter of providing sufficient staff at the right times for immigration and customs control — a fault which seems pretty well universal.

However, although lack of drive may seem to be a predominant factor in many airport administrations, it is worth remembering that often the faults lie not with the designers of today, or even yesterday, but with the planners of 40 years ago who did not realise the impact that mass prosperity, space technology and a universal eagerness to travel would have on our airports.

A.S.

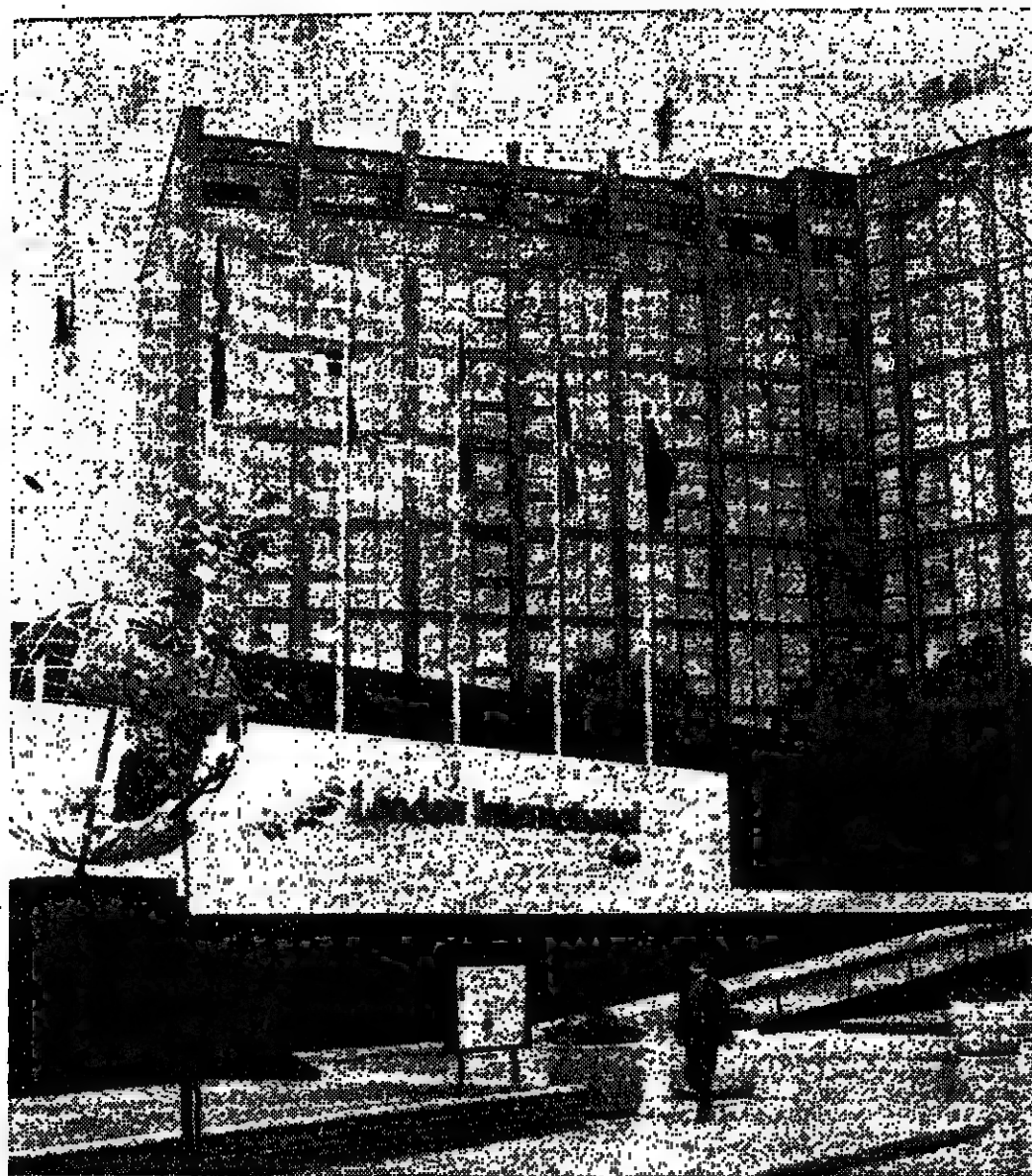


## BUSINESS TRAVEL VIII



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# Hotel doors ever open

HOTELS somehow manage to be at one time the pleasure and bane of the constant traveller's life. They are havens of rest, and sources of irritation. They are either too full, or too empty. One visitor's delight at friendliness will offend another who will find such familiarity intrusive. One man's pleasantly active hotel will be another's noisy one.

In most areas of the world today, however, the traveller can at least luxuriate in the pleasure of choice. The frenetic growth of the hotel business in the past two decades has produced a global network of properties of an international standard. Of course, in Rodeo week in Houston or high summer in London, central hotel rooms of a certain standard may be hard to come by, but in many parts of the world—even the Middle East—hotel shortages tend to be transitional. And as the Gulf starts to become one of the over-hotelled areas of the world so New York and London are once more moving into the doubtful position of topping the shortage league again for a while.

For the hotel industry, as for so many others, the business community is the bread and

butter of its commercial life.

There are considerable temptations for the hotelier in times of economic buoyancy to head for the less troublesome leisure market, but most of the bigger groups find that type of business too erratic for the long term. It is interesting to see that even throughout the sixties and early seventies building surge the bigger groups, from Trust House Forte to Hilton, from Holiday Inn to Novotel, tended to avoid any great rush into resort hotels. They were built certainly, THEF dabbled in Mallorca, Hilton in Cortu and southern Spain, but a broad corporate front there was little. City centres and provincial traffic-crossing points are what have always caught the established hotelier's eye, and it is these locations which attract their attention today.

But there is a great deal more to attracting business custom to a hotel than simply placing it in the right location—although this may be the single most important factor. It is for this reason that even with hotel occupancy levels in some cities being high there is still fierce competition in the bid to attract custom. There is one difference in this particular market from many others. In the hotel business above all the seller is attempting to breed customer loyalty.

There are obvious ways of doing this, of course, and not the least of them is always offering good service. The perfect hotel ticks away with such smooth efficiency the customer does not notice it. But sometimes the image-building can be egged along in other ways. The current British television campaign on the part of Trust House Forte is a classic example of an attempt to give potential customers a warm feeling about a particular company, and at the same time giving some encouragement to staff.

But neither THEF nor other companies leave it at that. Several of them, such as the British giant, have special executive cards which allow holders particular privileges. These are not credit cards but simply identify the holder as a regular customer allowing him to get a room when the passing trade might not, and offering the chance of a no-cost upgrading of room if there is space available.

The THEF scheme is called the Key Card and the system not only guarantees room rates for six months ahead, but also offers a retrospective rebate to the company concerned when total corporate spending is totalled at the end of the year.

Almost every hotel group of any size today has a credit card system of its own, which again is intended to encourage loyalty. However, it does have one valuable spin off as far as companies are concerned. If a company offers particular hotel/catering credit cards to its staff it stands a greater chance of separating off the spending on these cards from other expenses.

Most of the larger groups have managed to simplify reservations and check-in for the regular business customer but few, indeed none that I know of, have completely solved the problem of check-out. The best of hotels somehow manage to get a queue at the cashier's desk in the morning, if it is only to sign the credit card amount on a card run through the machine the previous night.

For many hotel groups the main drive at keeping business

is constant upgrading and updating of the properties. In many ways, some subtle and some obvious, the hotels of the world are changing. Colour television sets are increasingly the norm rather than the rarity, as are direct-dial telephones, air conditioning, an in-house swimming pool, saunas and conference centres. Architectural improvements are making the hotels of 20 years ago, never mind 50 years ago, show their age. Anyone who has seen the architectural splendours of some of the new Hyatts will never feel quite the same about the square box full of rooms which has been the usual hotel for so long.

## Pressure

This constant pressure for change and improvement, the constant upgrading of demands, is what has in part led to moves by Britain's Centre Hotels, now owned by the gambling-based Coral group, to spend about as much on revamping the properties as it did only recently in buying them, over £15m, and these in most cases would be considered "modern" properties in the first place. An example of excellent British revamping can be seen in London's Europa Hotel, on which Grand Metropolitan Hotels has just spent a considerable sum in upgrading the bar and restaurant areas on the ground floor. Gone is the late sixties style and in has come the deep carpeting, woodpanelling and modern fabrics of the present era.

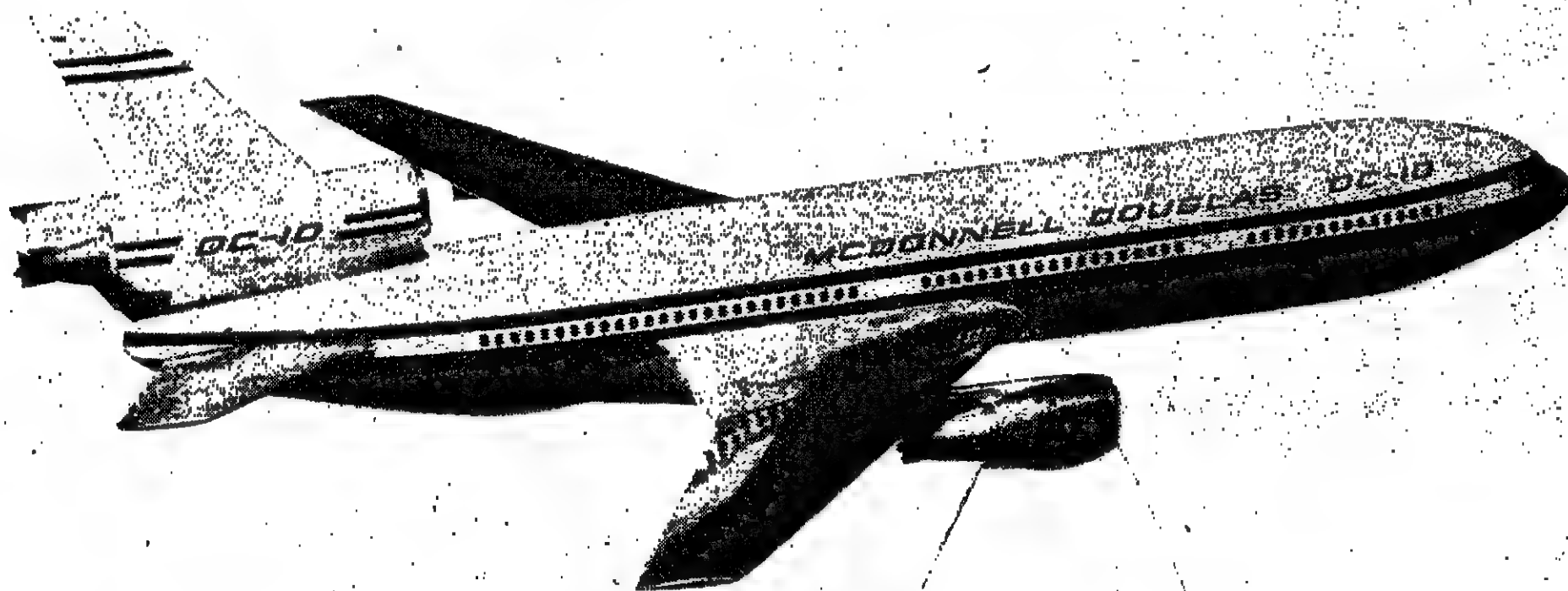
Today's hotelier has to keep his eye on changing tastes as well as changing traffic in today's business world.

Clearly a major source of business traffic for many hotels is the conference market, although for most city properties this is regarded as a valuable subsidiary activity rather than a prime function. Conferences on a grand scale, while handy in the off-season, can disrupt normal business to such an extent as to be counter-productive.

In fact, the business community rates quite highly in the conference and convention business. A recent straw poll of conference traffic suggested that among the least popular conventioners were teachers (they don't spend enough in the bars) and political parties (they generate huge quantities of litter and spoil newly-decorated rooms with taped and glued slogans and posters). The great problem for the hotel industry at the moment, both in the conference and general accommodation sectors, is keeping control of costs. The hotel industry is very labour intensive and therefore highly sensitive to changes in labour costs.

At the same time there is in the business a large degree of price sensitivity. The London hotel market demonstrates this point. In 1975 London had too many hotels and room rates were depressed. Two years later the market had revived and hotels were able to restore their rates to levels which they felt gave them a reasonable return. In those two years one survey of published rates showed that room tariff increases of more than 50 per cent were not unusual. This shows why it pays the regular traveller to any city to make occasional checks on what the opposition is doing before relying too much on past experience and that loyalty which the hoteliers are so keen to encourage.

A.S.



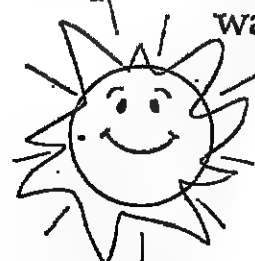
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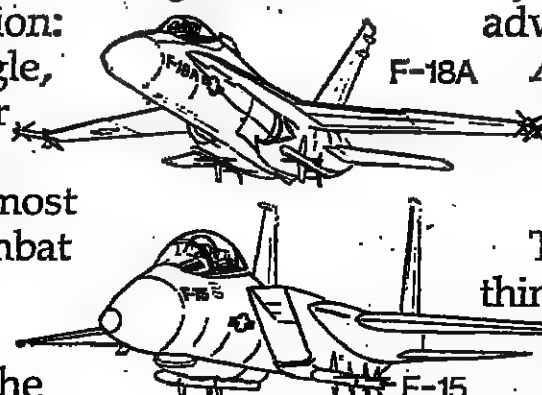
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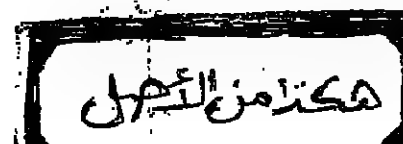
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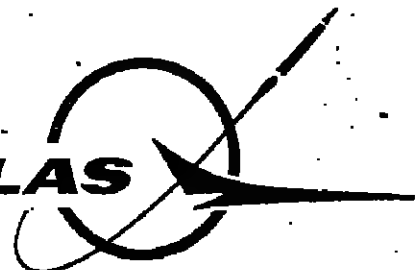
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## هكذا من العمل

## Parkin/Piccadilly

# Whistler's world

in half a dozen or so studies of the Whistler phiz, observed with affectionate but unfattering realism as the face of the once-time dandy coarsens into the battered, bruised-looking and apparently brutish facade of Whistler's age. Menpes was one of the most loyal of acolytes, only to be discarded like the rest of them with acrimonious scorn. Seymour Haden (who was also Whistler's brother-in-law) made us exit from favour finally through a plate glass window. The Frenchman, Theodore Roussel, really knew his place, removing his hat whenever he met the Presence. He was rewarded by one of the famous aphorisms

"At last I have found a follower worthy of the Master." He too has been largely forgotten. One of the most striking of the many little-known master he was his two strokes in the creation of a bona fide *Chemist's Shop* at St. Leonard's on Sea in 1911. First, the shop stark and bleak, almost solo and the white paper, costing a shadow on nothing as dense as richness; it has an unhabituated loneliness as if about to become a de Chirico. Then suddenly, in the final state. It is clad with the context of British St. Leonard's, but set against the two lines leaning over the sill of the promenade confronting insanity. Very spooky.

At the Piccadilly Gallery in Cork Street, there are still a few days (till April 21) to catch the Eric Gill show. Principally drawings, but here the mark of Whistler is not. All Gill's work is expressed in terms of the bounding contour line, which he handles with a keen clarity proper for a sculptor, almost missing its way into religion. The religious is not the religious and at times religiosity was a devout if often aggressively independent minded Catholic convert; nudes of a highly formalised nature, stripped to an oddly chaste sexuality; and, most remarkably in this selection, portraits. I suspect he was always best in them (and that he didn't do enough of them). Simply because of the tension produced by the necessity to keep to a likeness, to the irreducible fact of a quirky unique human individuality in his subject. Without that restraint, his line would lose its urgency and, applied for its own sake, produced images that verge perilously on the tape. As it is, in front of some of the very fine, decisive, profile portraits in this show, the answer is



by MICHAEL COVENEY

## Half Moon

## Accidental Death of an Anarchist

by MICHAEL COVENEY

## Festival Hall

# Triple Concerto

by MAX LOPPERT

Mr. Weiller is the orchestra's conductor-elect. The Egmont Overture and later the Fifth Symphony showed why: he encourages and achieves a full-bodied, solid quality of sound not always associated with the RPO in recent years. As a Beethoven interpreter Mr. Weiller seems to incline away from the fiery, urgent or monumental views of the composer. Important features of rhythm tend to be passed over rather lightly; weight of sonority remains a constant feature rather than being reserved for moments of dramatic emphasis. Anyone in Sunday's large audience coming in for the overture and symphony for the first time would have gained a very decent impression of both; for others the performance was and perhaps less than a offer in terms of originality or fresh insight.

**SOCCER** BY TREVOR BAILEY

# Liverpool are magnificent

**GOLF** BY BEN WRIGHT

## Fuzzy is Masters' champion

Zoeller is 27, has been playing on the tour for three years and has won \$400,000 in that time. He won the San Diego Open

When he walks into the Press

interview room, wearing the green jacket that goes to all Masters' champions he asked us blithely "whose do you think this is?"

ne which would fit his broad  
oulders belonged originally to  
eck Nicklaus and, while no one  
making too much of that  
incidence, it is a bit of

## Financial Times plans survey on Indonesia

the previous two plans, changed economic circumstances, the problems of a dual economy and the social strains of urban growth.

There will be articles on food production, population trends, politics and local enterprises.



## FINANCIAL TIMES

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Tuesday April 17 1979

# Confidence in W. Germany

THE PAST few weeks have seen a series of consistently optimistic pronouncements about the prospects for the West German economy in 1979. A few warning notes have been sounded over what may lie slightly further ahead. But there seems to be a fairly general consensus that there should be a period of plain sailing in the months immediately ahead. The Bonn Government, certainly, is showing no sign of wishing to make an early change of tack.

## Bad weather

The official forecast of 4 per cent real growth in gross national product this year has been greeted with much less cynicism than similar forecasts over the past two years. Last week, the country's five leading economic research institutes said that there should be no difficulty in achieving such a goal, in spite of the effects of the winter's unusual steel stoppage and the exceptionally bad weather. The West German recovery, they added, was still gaining ground, with increasing signs that new investment was being sustained by business optimism rather than the effects of stimulatory economic policies. Dr. Wilfried Guth, one of the country's leading bankers, widely tipped as the next Governor of the Bundesbank, has added his voice to the chorus of optimism. The country's economy, in his view, is "thoroughly robust."

A high level of business confidence was independently confirmed by the latest IFO survey, which, at the end of last month, showed manufacturing companies taking an optimistic view of the coming months. The key capital goods sector reported bigger order books and higher output rates—an impression confirmed more recently by the Federal Statistics Office, which has detected a brisk increase in new orders to manufacturing industry. The advance appears to be broadly based, with little difference in rates of increase of domestic and export orders.

There is a widespread feeling that the country is rapidly getting the better of the initial shock caused by the Iranian crisis. Export prospects are thought by the five institutes to be highly favourable in OPEC countries other than Iran, and also in Western Europe. Wage settlements in the wake of the steel strike have been no more than moderate, and unemployment is expected to decline to 4 per cent or less, or well under

1m, despite a faster increase in the working population. The social and political consequences of rising youth unemployment during the school-leaving bulge of the next few years has long been a matter of serious concern to the German authorities.

But if the immediate future looks serene, it would be wrong to be too sanguine about the medium-term. The full impact of rising oil prices on the domestic German economy, and on those of the countries that are its major markets, is still far from certain. Inflation seems bound to edge higher in the months ahead, probably reaching 4 per cent in the second half of the year. While that is a figure that would be greeted with rapture in most West European countries, it is high enough to set warning bells ringing in Germany. An important factor here has been the more sober performance of the Deutschemark as the dollar and other weak currencies have recovered and the European Monetary System (EMS) has started operating.

German concern about the inflationary consequences of EMS membership has not vanished during the short period in which the system has been in operation. There is still a fear in many quarters that the average EEC inflation rate could become a standard rather than a simple mathematical calculation, possibly driving up the German rate to nearer 5 or 6 per cent if the rules of EMS were strictly applied. If the authorities were to conclude that inflationary pressures obliged them to take restrictive measures, today's recovery could easily falter next year. There is as yet, however, no evidence that inflation is going to get out of hand in the months ahead.

## Vulnerable

Nobody would deny that the world is entering a new period of uncertainty in which major energy importers in particular will be vulnerable. So far, however, West German economic management has been more successful than that of most other countries. The Germans have also gone further than most of their Western partners in adjusting their industries to today's changed world trading conditions. There may be clouds on the horizon, but for the time being it is hard not to share the general optimism that reigns in Bonn.

# Truth in taxation

THE election debate on taxation has been launched only with very vague and general statements in the Party manifesto: the Conservatives are in favour of a shift from direct to indirect taxation in order to restore incentive, while Labour has revived its perennial proposal for a wealth tax. The Conservative determination to tackle what are described as the most burdensome aspects of capital taxation is left completely vague. The avoidance of specifics is largely welcome; manifesto promises can be highly embarrassing when circumstances change. All the same, there should be scope for a rather more coherent statement.

## Real values

This gap in the argument was ment of tax philosophy. to some extent filled in the course of a broadcast discussion between Mr. Denis Healey, the outgoing Chancellor, and his Shadow, Sir Geoffrey Howe. Mr. Healey spelled out a little more fully the scope and purpose of the proposed wealth tax, while Sir Geoffrey made some important things to say about the importance of real values in the tax system. Each potential chancellor might have been able to borrow some useful ideas from his opponent.

Mr. Healey's most important statement was that in his personal view, the revenue from a wealth tax should be used, in part at any rate, to reduce the higher rates of income tax. This is not of course the first time Mr. Healey has said the same: his preferences have been clear for some years, and the fact that he still believes this is perhaps less significant than the fact that he failed to get any such statement included in the Labour manifesto itself. Left-wing prejudices against high income as such remain a Labour liability.

## Marginal rates

All the same, an annual tax on capital might do far less economic damage than the absurd marginal rates of tax which apply to high incomes at present. What Mr. Healey did not add was that such a tax, which is after all levied on many advanced industrial countries, might also offer a

substitute for the existing mess of taxes on realised gains, on capital transfer, on investment income and on development land.

One reason why existing capital taxes are so burdensome—and equally why the higher rates of income tax now reduce incentive at quite modest levels in the management hierarchy—is not so much that their basis is wrong in principle as that it has been hopelessly distorted by inflation. The Rooker-Wise amendment, which has effectively indexed the starting point for income tax, was introduced against the wishes of Mr. Healey, and in the discussion he made it clear that he remains distrustful of indexation in all its forms. Sir Geoffrey, on the other hand, was in principle inclined to favour indexation as a contribution to truth in taxation.

The simplest way to demonstrate the need for such indexation is to point out what tax policy has done, in real terms, in its absence. High rates of tax have been imposed on ever lower real incomes, while Governments talked of incentive. Successive Chancellors have consistently imposed heavier taxes on the poor in order to cut the relative price of alcohol and tobacco, investors have been taxed on real capital losses.

## Money terms

The Rooker-Wise amendment embodies the right principle in these matters: tax thresholds and rates stated in money terms should be adjusted automatically to reflect the changing value of money unless Parliament decides otherwise. This should apply not only to personal tax allowances, of course, but to the many other tax sums stated in purely money terms—the starting points for higher rates, the measurement of capital gains, the scale of fixed revenue duties, the ceiling on mortgage interest relief, and the rest. This principle does not limit the freedom of Chancellors, but simply compels them to call things by their proper name: nor does it imply general financial indexation. It is only a ploy that Sir Geoffrey's admirable sentiments on this topic, like Mr. Healey's on the higher rates of income tax, do not figure in his party's manifesto.

UGANDA is slowly waking from a nightmare which has lasted for most of the eight years during which President Idi Amin has been in power. The arrival of the Tanzanian-backed invasion force in Kampala sealed the fate of his regime, infamous for its brutality and cruel suppression. But the end of Amin is only the beginning of the problems for the newly installed Government, which must set about a comprehensive programme of reconstruction in a country which has been bled for years by Amin and his soldiers, and has now been brought to its knees by war.

The recognition of the new administration by Britain and a number of African countries should prove an important psychological help (though ironically it was Britain which first recognised the Amin Government). However, given the inexperience of the new administration many observers doubt its ability to get the country moving again. The new leader, Prof. Yusuf Lule, a 67-year-old academic, has impressed many people with his determination to right the wrongs done by Amin and his commitment to return Uganda to democratic rule. But people fear that he is out of touch with the realities of modern Uganda, having lived abroad since 1970 except for two brief visits. He heads a cabinet chosen more for its broad tribal and political base than for any proven administrative ability. In order to prevent a slide back into chaos, Uganda requires the Tanzanian army to guarantee its security and large foreign aid to put the economy back on its feet.

The Government does have in its favour the support of a people whose joy at the overthrow of Amin was undisguised. As proof of the cruelty of his regime, Western journalists were allowed for the first time to visit the death cells and interrogation rooms of the notorious secret police, the State Research Bureau. In the headquarters, just around the corner from Amin's favourite residence, the bodies of his last victims lay rotting in a cellar. In the hold of a violent regime, thousands of people have died. In Kampala a lorry from the mortuary does its gruesome daily round collecting fly-blown corpses from the streets. The final death toll in the city alone is expected to be around 500.

Now that the threat of Amin has passed Ugandans have celebrated by looting everything that can be moved from the shops, offices and houses that they say, belonged to Amin's henchmen. Because the looting has been so thorough, there already are fears that the city will run out of food within the next few weeks. Relief organisations have complained that there is no authority to supervise the distribution of aid

because the Tanzanians are too busy fighting, and the Ugandan bureaucracy, once one of the best in Africa, has been decimated by Amin's purges. In addition many of those who worked under Amin are still in hiding. A serious food shortage would provide the first big test of the new Government's popularity. Aware that Uganda needs substantial aid immediately, the Uganda National Liberation Front (UNLF) published a list of its needs before Kampala had been taken. It includes everything from seeds, food, and blankets, to pens and ink all of which are either very scarce or not to be found at all.

Because of the absence of information the new Government has no clear idea of the scale of the problems it must tackle. But it is possible to isolate the issues and break



Prof. Lule: when will the toddler Government walk?

down the problems involved into three primary categories: those which pre-dated Amin, those created by him, and those caused by the war and the installation of an inexperienced Government with no firm domestic power base.

The fundamental problem which existed before Amin was that of inter-tribal rivalry. The CBI council noted the resolution of Amin's unpredictable favour. Not one of his original cabinet ministers, for instance, was still alive and in the country when he was ousted from Kampala.

But although the immediate future looks bleak, the new Government is hopeful of an economic recovery in the medium term. It pins its hopes primarily on the fact that two-thirds of the country's estimated gross domestic product, and three-quarters of its foreign exchange earnings, come from agriculture. The main crop, coffee, is perennial according to experts, and the hardy robust coffee grown in Uganda does not need continuous attention.

Coffee production in 1978-79 is officially put at 156,000

tonnes. Though it is hard to reach a figure for this year's crop, experts say it will be down to around 100,000 tonnes because of general neglect, shortage of essential inputs, a lack of incentive for the growers, and a generally poor season. But because coffee is almost entirely grown by peasants in Uganda, the Government feels it should not be long before the right incentives would get them working properly again.

To do so, the administration has to restore their confidence again after years during which they have been unpaid or underpaid for their crops. Recently no money at all was coming from the State Coffee Marketing Board because much of the coffee was going directly in payment for arms, according to diplomats. At the same time thousands of tonnes of Ugandan coffee are reportedly held up in warehouses either in Kampala or at the Kenyan port of Mombasa.

The other important export commodities, cotton and copper, will take longer to restore to their previous levels of output. The cotton crop has fallen dramatically from the 1975-76 level of 133,400 bales because farmers have turned to more lucrative food crops. The copper mine at Kileleshwa has not been producing for some time since a labour dispute ended with union bosses being murdered. No one knows how badly the mine is run down.

No repairs to the economy can be carried out unless the political stability and security of Uganda can be guaranteed, and for that the new Government has to count on the continued support of the Tanzanian army. Uganda needs a breathing space in order to establish its own new army and to re-establish the credibility of the military.

Only then are the middle classes expected to come back along, maybe, with the Asians who, the new President has said, are welcome in Uganda (though he has not specified how he will deal with the tricky problems of expropriated Asian property).

Ideally for the new administration the Tanzanian army would stay as long as necessary which at the moment would seem to be for a long time. The Ugandan Government is expected formally to ask the Tanzanians to stay on, in order to avoid charges that they are an army of occupation.

But Tanzania does not have a free hand. The presence of its troops on Ugandan soil is particularly resented by Kenya, which is afraid that it will become encircled by socialist countries hostile to its free market capitalist system. Relations between Nairobi and Dar es Salaam have been sour ever since the East African community broke up in 1977, leaving a tangled mess of liabilities and assets. Talks should begin soon on how to divide the wreckage of the Community

between the three former members, but Kenya is still smarting under the Tanzanian refusal to reopen their joint border.

President Julius Nyerere of Tanzania has said all along that he has no territorial claims on Uganda and that he has no wish to install a puppet Government in Kampala. He fought the war against Amin who, he feels, brought Africa into disrepute. But he has prosecuted it at the expense of his own economy which was already in a very poor state. Even before the fighting started last October, Tanzania had a heavy external payments deficit.

Though no reliable figures exist, the cost of the war to Tanzania is variously put at between US\$250,000 and US\$1m a day. Not only does Tanzania have to foot the bill for arms imports, but the war has proved a costly logistical nightmare with every piece of equipment having to be moved more than 1,000 miles (about 1,600km) to the front. The productive sectors of the economy have also been hit because men have been called up to join the militia and because transport has been requisitioned for the war effort.

So far the impact of the war will remain united.



Idi Amin: whereabouts unknown

has not been great on the Tanzanian general public because the shops were already relatively well stocked. But import licences for the first half of this year have been slashed, and the trend is likely to continue in the second half of the year, according to economists. Although there are reports of foreign Governments giving covert aid to the Tanzanians, foreign exchange reserves are believed to be down to less than the equivalent of two weeks' imports.

It is in Tanzania's best interests to pull its army out of Uganda as soon as possible. But the danger is that it may be obliged to do so for domestic reasons before the toddler administration it has installed in Kampala has had time to learn to walk on its own. With Amin's whereabouts and strength still unknown, no Ugandan Government can be sure of the future.

But the new Government believes that with foreign aid and the trust of the Ugandan people it can restore the country to something like normality within two to six years. It hopes that as long as the threat of Amin's return hangs over the country, Uganda will remain united.

# MEN AND MATTERS

## The widow a general fears

Begum Nusrat Bhutto could do the political mantle of her executed husband if Pakistan's military government ever give her the freedom to do so. Even those civilian leaders who opposed the former premier are tipping his widow as the natural successor.

But for the moment, Begum Bhutto is in no position to make a move. President Zia is keeping her under tight security at Sialkot Camp, 15 miles from the garrison town of Rawalpindi. Also held there is Bhutto's 26-year-old daughter, Benazir.

The government may be preparing a case against both women, possibly based upon documents allegedly found in the Bhutto homes the day before he was hanged. Humanitarian pleas are being made for the detainees, but Zia has already shown himself impervious to such pressures. Begum Bhutto stood for the Pakistan parliament in 1977: she never took her place—the military takeover in July of that year set in train the events leading to her husband's death. Now she is facing proceedings to disqualify her from all political activity.

The very severity with which she is being treated is regarded in Islamabad as a symptom of the fear with which Zia regards her as a likely focus of opposition.

## Vote hope

The quarterly journal of the Business Graduates Association comes out this week with an editorial urging proportional representation—an idea which it says is supported by people as diverse as Lord Armstrong, Sir Arnold Weinstock, and Diana Rigg. The journal also claims that the last conference of the Confederation of British Industry "voted three to one in favour of changing the electoral system."

I asked the CBI and was told that on a show of hands at last November's conference, there

certainly was a "fair majority" for electoral reform. Does this mean that the CBI supports the Liberals in this scheme? "The CBI council noted the resolution," I was told warily, "but it has not yet commented. The resolution is likely to go to a committee of the confederation."

## Curing a killer

The macabre paper chase in Kampala is proving that the sparse reports which came out during Amin's dictatorship only hinted at his worst barbarities. Yet some of the documents examined by my colleague Mark Webster in the city shed a more intimate light on the character of Uganda's fallen president.

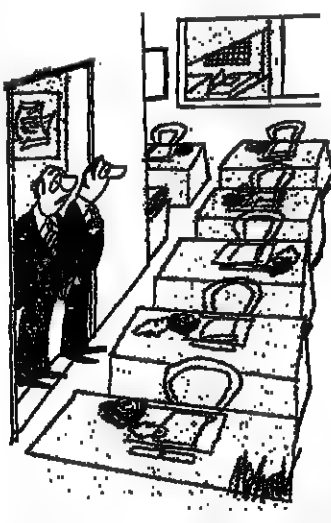
Amin was clearly a hypochondriac. His medical reports show that gout was one of the ailments about which he persistently harried his doctors. Another was throat trouble, for which he had his tonsils removed.

Most constant of his physical problems was overweight. It was mentioned by most of the doctors who examined him. One even dared suggest that His Excellency should go on a diet, when the scales registered well above 19 st.

## Princely crooner

It had been the talk of Peking for a week: the grand ball to be given by Prince Norodom Sihanouk to celebrate the Cambodian (Kampuchean) New Year. The city does not offer much in the way of social gossip, even less in the way of royal entertainment. So it seems that last weekend's event generated a flurry of rank-conscious speculation among the international community.

Nobody wanted to be late: with the sun still up, the diplomats and their wives walked gorgeously, self-consciously, in their evening best to the indoor badminton court at Sihanouk's residence. A 16-strong band drawn from the Peking Symphony Orchestra was waiting to play. They wore western suits and flamboyant silk ties.



"Cher up, old man—being back at your desk isn't that different from sitting behind the wheel on the motorway?"

In the courtyard, waiters opened bottles of Chinese champagne as the 300 guests studied the programme. It listed 39 musical items, 26 of them composed by Sihanouk himself.

Once the unchallenged playboy of the eastern world, then leader of Cambodia's government in exile, before being made the virtual prisoner of the Khmer Rouge, the prince seemed for the moment intent upon blotting out all thoughts of recent miseries in Phnom Penh. He was first on the dance floor, with his French wife, Princess Monique, as the orchestra got to grips with a fox-trot. Then he made for the microphone and began crooning in a tireless, mellow voice.

Sihanouk sang "C'est Si Bon" three times. Between items he made the rounds of the tables, embracing ambassadors and dancing with their wives. The senior Chinese guest, Foreign Minister Huang Hua, also took the floor with his wife, who wore a smart green velvet jacket and slim trousers.

Some of the guests were diffident at first, never having had such an experience in Peking. But a string of rumbas, tangos and cha-cha-chas induced a

festive mood. At midnight the champagne was brought out again and the meal—which had begun with dream cakes—ended with soup.

Princess Monique was heard to say that this was her first dance in ten years. After the ball, Peking is now wondering whether Sihanouk—who seems likely to remain in China indefinitely—will become the pacemaker of an active social set. Most hope so—and they would like to see him unearth his microphone and get up there with the band.

## Sour grapes

California's wine-growers have just been thrown an unexpected bouquet (albeit a somewhat thorny one) from the direction of the European Parliament. Some of their "beaujolais," some say, is now hard to distinguish from the real thing and at least one Euro-MP wants an end to such "unfair competition." A written question to the Brussels Commission calls not only for an inquiry into the successful marketing of Californian Beaujolais in Britain and Belgium, but also warns that this is "not the first time that the Americans have acted in this way."

Reaching back into the mists of time it cites the case brought in 1910 by the ancient Rheims house of Veuve Clicquot against "an American swindler who was making champagne under the same name, having appointed president of his company an American widow called Clicquot."

## Turkish delight

A reader sends this excerpt from an article in the house journal of a Southampton firm: "The food in Istanbul was wonderful and the view from our hotel room window was superb, but my wife fought shy of sunbathing after being bitten all over by midges."

Observer

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# A troubled ride into the future

LIKE THE rest of us, British Rail has had a long, hard winter. It was not really reflected in the 1978 figures published last week, but since January a number of things have happened to disturb the relative calm of the last 2½ years.

First came the unofficial local and then the national official strikes, which together cost the railway £13.5m. Matters were made worse by bad weather, which did further harm to the already precarious marketing image of British Rail.

Then came the announcement, also in February, that the Government was toughening up cash limits in the public sector in an effort to reconstitute its crumbling 5 per cent pay guideline. Railway financial executives concluded that the assumptions on which their 1979 budget had been based when it was drawn up in November had vanished. A £16m reduction in Government grant was provisionally estimated to be the consequence of the statement. That caused rumblings last month from British Rail headquarters about the need for an autumn fares increase of around 10 per cent. In November, the intention had been to make do with one increase of 8 per cent on average, imposed in January.

Nor was it coincidence that around the same time, the railway trade unions were given an outline of British Rail's latest plan to close down loss-making provincial rail services, substituting buses for some of them.

The corporation was suffering from financial nerves. The political response was predictable. Mr. William Rodgers, Transport Secretary, with one foot already on the hinstings, said he was not prepared to talk rail closures and that he knew nothing about fares rises in the autumn.

More usefully, from British Rail's viewpoint, the Treasury relented from what appeared to

be its position on cash limits. Mr. Denis Healey's care and maintenance budget quietly modified the threat which could have cost the railway £16m.

The railway board had meanwhile grunted its teeth about the losses caused by strikes and pruned some minor capital projects to make good the deficit. A case that he quite nothing?

This appeared to be the view of the Department of Transport, which has taken a decidedly cool view of the latest round of agitation from the railway, underscoring, as it always is, by demands for a big increase in spending. Sir Peter Parker, who succeeded Sir Richard Marsh as British Rail's chairman 2½ years ago, said in his annual report that the Government would have to authorise an extra 50 per cent on the capital spending account in the 1980s just to allow British Rail to replace worn-out assets. Sir Peter and his board members were worried. His highest anxiety, he presented in his annual report last Wednesday was the outcome of pay talks due to start in earnest the following day. These negotiations are, in many respects, the most important in the recent history of British Rail and certainly the most important since Sir Peter succeeded Sir Richard.

Their significance is only partially explained by British Rail's acute need to keep under control its labour costs, which account for over 60 per cent of expenditure. In the last two

years, that control has been achieved by the external pressures of Government pay guidelines and this fact goes most of the way towards explaining British Rail's new-found financial stability and reduced dependence on grants under Sir Peter.

Of even deeper concern to British Rail is the need in the present round of pay talks to make some real progress towards a genuine productivity improvement scheme, in an overdue effort to shed manpower, especially in the freight business, and to achieve a new spirit of flexibility from the workforce.

The third essential component of the talks—and the most important from the consumer's point of view—is the implication for fares. British Rail prepared its 1979 budget on the assumption that there would be a 5 per cent increase in its wages bill. Anything on top of that seems very likely to emerge in the form of a fare increase this autumn.

An added complication in the talks is the recent award by Lord MacCarthy's Railway Staff National Tribunal of a 5 per cent bonus to most ASLEF members, following a similar award to NUR paytrain guards last year. Railway management feared that by offering 5 per cent outside the context of productivity bargaining, the tribunal had kicked the chair from under its negotiating position. They entered the negotiations

determined to ensure that ASLEF received this five per cent only in return for productivity concessions, notably to accept single-manning of the new generation of class 56 freight locomotives.

It appears that the first round of talks went well, their atmosphere greatly helped by the desire of the NUR to express its outstanding loyalty to the Labour Government by not providing an embarrassment during the election campaign. Negotiations are now revolving around a five per cent basic award plus seven per cent for productivity, but it will not be clear until later this week how significant is the commitment to productivity.

During Sir Peter's chairmanship, the board has retreated from the Marsh targets of shedding 5,000 jobs a year for the five years up to 1983 on the grounds that such targets only cause trouble. In 1977, 4,000 jobs went, but last year the payroll was stable.

The NUR argues, with some justification, that the railway is in fact seriously understaffed in some areas. In Southern Region, for example, 15 per cent of guards' jobs are unfilled and the shortage of cleaners is even greater. This reflects an unwillingness to work unsocial hours, but also the other side of the pay stability coin: railway pay has become uncompetitive.

But elsewhere the over-manning and indeed excess of facilities is self-evident. Wagon load freight, for example, has fallen by two-thirds in the last ten years, but there has been little reduction in the number of marshalling yards or associated jobs. BR wants to get rid of 40 of its 198 yards by 1983 and to streamline many others. Likewise, 35 per cent of all trains still have drivers on the footplate, including all the new class-56 generation of freight locomotives. BR accepts the case for some double man-

ning for training purposes but rejects the safety in numbers argument. It says its own research shows drivers are more likely to miss signals when they have a companion than when they are alone.

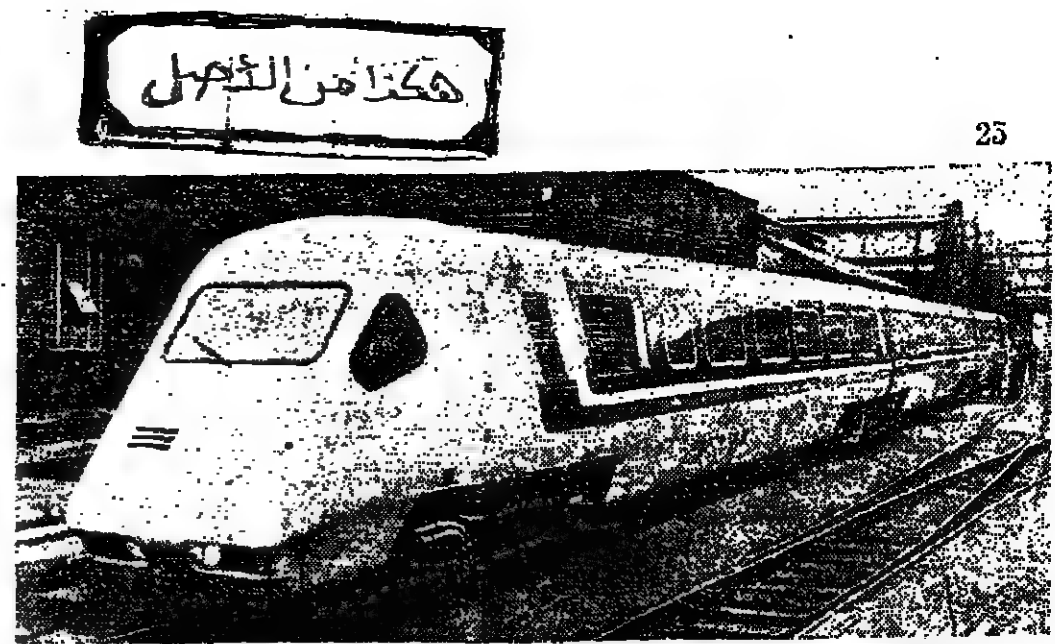
Small wonder, therefore, that the productivity indicators produced for the first time by BR in its latest annual report show only very small gains. Nor do these indicators necessarily tell the full story, because most of the gain in freight productivity is due to higher capacity wagons, greater automation and BR's highly successful real-time computer control system, which has enabled the wagon fleet to be reduced by 38 per cent inside four years with only a 2 per cent fall in traffic.

## Overmanning

Overmanning is, of course, only one part of the industrial relations problem. Persistent inflexibility on the part of some groups of workers, notably but not only the drivers, has delayed significant new projects, such as the commissioning of the 150 mph advanced passenger train (APT). Labour troubles at the railway workshops have also caused British Rail to underspend its capital budget for several years at a time when it is complaining about the inadequacy of its capital ceiling.

Without better productivity, British Rail faces two possible futures: either it keeps static (in real terms) expenditure and fares while the pay of railwaymen continues to decline relative to other groups of workers; or, the unions succeed in pushing up wages beyond the level of general inflation, and the customer pays in the form of higher fares—unless Government is prepared to increase the level of subsidy. There is no sign that either political party would favour such a course.

A return to the twice or thrice



The 150 mph Advanced Passenger Train—slowed by industrial relations problems

yearly fare increases of 1975-76 could, railway executives fear, take British Rail straight back to the disastrous performance of that period when it put up fares by 62.5 per cent in 20 months and lost 4 per cent in passenger volume. That decline damaged morale in British Rail and had much to do with the lack of confidence expressed about railways in the Transport Consultative Document published in 1976 by Mr. Anthony Crosland, then Secretary of the Environment. The approach of that paper was based on the assumption that British Rail was catering for an ever smaller section of the population and that this should be taken into account in giving it money.

Although the Transport White Paper published in June, 1977, proposed a cut of £20m in BR's passenger subsidy (the first £10m of which is taking effect this year) and maintained a frozen investment ceiling, its tone was much more encouraging.

This has given British Rail under the extrovert and public relations conscious leadership of Sir Peter the opportunity to develop its confidence, its marketing objectives, and its financial stability.

Inter-city traffic has grown by 8 per cent in the last two years and the problem services in London and South East England have successfully fought for more off-peak business to offset losses caused by demographic changes. The freight business broke even last year, having

lost £66m three years earlier. In real terms, the level of passenger subsidy has fallen from 1.72p per passenger mile in 1975 to 1.45p per passenger mile last year, when BR received £436.5m from local and central government.

Changes in the quality of service are harder to assess. There is no doubt that the introduction of the 125 mph high speed diesel service on the London-South Wales run and more recently on the East Coast has brought big improvements and big (over 40 per cent in two years) increases in passenger volume. On the other hand, BR cannot afford to renew rolling stock from the 1950s on commuter services and a refurbishing programme to extend vehicle life to 40 years is a poor second best.

Punctuality matters even more. Last year, British Rail tells us, 91 per cent of all trains arrived within five minutes of advertised time. That is of little comfort to the travellers on the recently modernised Great Northern electric network, where half the trains were more than five minutes late because of technical and staff shortage problems.

Performance is equally uneven in the freight business. Wagon utilisation varies from the four journeys per day completed by merry-go-round coal wagons to the one journey per fortnight of some older steel wagons.

This is the slackness which British Rail needs urgently to

get out of its system, not only for its present financial health but also to convince the Government and the public that it is worth investing in the railway's future. Two major capital schemes are currently before the Government, the scaled-down rail-only Channel Tunnel plan, and a three-option proposal for electrification of more main-line routes.

In broad terms, the omens for British Rail are good. Rising fuel costs will increasingly weaken competition from the private car. In the case of freight, tighter EEC regulations on lorry drivers' hours are starting to shift the odds in favour of rail at a time when road hauliers have almost fully absorbed the huge productivity gains brought by 30 years of motorway building. Politically, too, the outlook is encouraging following the almost bipartisan approach to railway policy evident in the last Parliament.

Without better industrial relations, these opportunities could easily be sacrificed, bringing a return to the sea-saw economics of the 1960s, made wilder by the heavy hand of Government price control.

In his annual report, Sir Peter stated frankly that not enough had been achieved in 1978 in the "cut and thrust of productivity which lies at the heart of our present industrial problem." He can be criticised for not making the warning plainer and his negotiating position stronger at an earlier stage. He cannot be accused of inaccuracy.

## Letters to the Editor

### Making farmers foot the bill

From Dr. G. Haller

Sir—Mr. Cherrington suggests (April 10), as he has often done, that farmers respond to low prices by increasing output. There is really no evidence for this "backward sloping supply curve." All the evidence throughout the world is that sustained low prices have a dampening effect on farm output and sustained high prices a stimulating effect, mainly because of the influence on investment. What is true, however, is that the process takes a long time, especially a contraction and the influence of price is overlain by technological changes which periodically cause surges in output. The acceleration in yields in European agriculture since the war reflects a phase of agricultural research beginning in the 19th century.

It is therefore probably true that a short-term price squeeze will not be sufficient to compel farmers to produce with surplus, and there is a good case for quota arrangements where they are feasible. One of the troubles in the early stages of the Common Agricultural Policy was that national control arrangements were relaxed because the Commission believed that supply could be managed by setting "appropriate prices" which were, of course, set too high because of political pressures.

But quotas have grave defects in the longer run, because of their tendency to freeze the prevailing pattern of production. This effect can be reduced by making quotas saleable, but quotas are essentially a short-term expedient and should not be allowed to obscure the need for moderation in agricultural subsidies.

It is not just a question of price support but also of "guidance" subsidies. There are many national and Community subsidies which encourage farmers to plough up headlands, drain marshes, uproot hedges, etc., which is precisely the reverse of what is now needed. "Guidance" subsidies should be confined to activities like the consolidation of fragmented German holdings and the withdrawal of marginal land from cultivation. Dr. Mansholt, the first Commissioner for Agriculture, put forward a plan for subsidising the withdrawal of marginal land from cultivation which was absolutely right in principle. It was killed stone dead by the farmers' unions, who in this case were not defending their members' interests but simply failing to understand where they lay.

Graham Haller (Dr.), University College, P.O. Box 98, Cardiff.

### Underground economies

From Mr. C. Drury

Sir—David Freud's article entitled "A guide to underground economies" (April 9) was as mischievous as it was misleading. It might more appropriately have been called "A guide to my prejudices about the self-employed," such was the thinly disguised and more than slightly holler-than-thou crusading style in which the piece was written.

David Freud is by unctuous implication not (and never has been?) party to the under-

ground economy. But that doesn't stop him blithely asserting that "savings from black earnings... are likely to be much higher than in the official economy," without the slightest shred of evidence to support the claim. Undaunted Mr. Freud swept breathlessly on to state that "these extra savings go under the mattress." May I suggest that this is sheer hogwash?

Mr. Freud's mischievous tongue was soon stirring again. By a neat trick he makes "most" read as if it were "most" when he without mentioning many who do not write about "the way in which many of the self-employed overstate their expenses to cut net earnings for purposes of tax." What demagogic cheek! Do journalists never round up their expenses?

He's at it again in the next paragraph. "That the self-employed often do indulge in some kind of fiddling..." is strongly suggested in the latest Family Expenditure Survey (from the Department of Employment). Does this sloppy and contentious statement mean all the self-employed, many (sic) of them, come of them, or only a minority and what, may we ask, is the statistical worth of the figures in the FES—damn low, I suspect!

Three paragraphs later Mr. Freud surpasses himself in his anxiety to continue to present what Perry Mason would dismiss as irrelevant and incompetent hearsay, as damning and incontrovertible truth. He says that "researchers (which ones?) in the U.S. (in Lookout Mountain?) believe (in other words they don't know) that the remarkable increase in the use of large denomination notes is a key indicator of black economic activity." From that totally unproven mish-mash he then baldly states that "people tend to pay their 'black' plumbing bills for, say, £100 in £10 or £20 notes rather than in £1 or £5 notes." Evidence please or is this just plain unadulterated guesswork? Or just what he himself does after a hard pipe?

Charles Drury, Grassington, Dursington, Somerset.

### Neither saints nor sinners

From Mr. J. Holland

Sir—One gets tired of reading articles such as that by David Freud, "A guide to underground economies" (April 9) which attack the self-employed by the use of spurious or misleading statistics. These hard-working members of the community can, like members of trades unions, be classified collectively neither as saints nor sinners. One searched in vain for some sign of balance by reference to the Mickey Mouse of Fleet Street whose misdeeds are being treated with far more leniency by Sir William Pile's merry men than was ever extended to an erring member of the self-employed.

It is obvious that Mr. Freud has scanty knowledge of the checks carried out by the Inland Revenue in determining the accuracy or otherwise of accounts submitted by the self-employed. He would otherwise know that there is no way in which those assessed on net earnings of £40-£60 a week can

consistently be spending £64.64p a week. Since that figure is palpably incorrect one can place no reliance on the calculation based on other statistics used to show that the self-employed are "fiddling" an amount equivalent to 1 per cent of GDP. His assertion that the growth in circulation of £10 and £20 notes indicates a corresponding growth in the black economy is ridiculous, as any weekly wage earner will confirm. The fact is that the growth in take-home pay between 1972 and 1978 has led to an increased use of higher denomination notes in wage packets. It is as simple as that.

I fear also that in attempting to use VAT statistics to indicate that goods worth between £250m and £750m entered the black economy as the result of fraud by retailers he has proved only his total ignorance of that tax. On the basis of the first year of operation of the tax when the special schemes under which retailers calculate the VAT they owe were causing all sorts of problems and much of the tax loss from retailers during that year arose from errors of principle which were later corrected. One of the major sources of fraud does not involve the sale of goods or services at all and that is the fraudulent input tax claim. Similarly output tax evaded prior to the retail sale is contained in the tax loss of £20m but cannot be included in any calculation of goods and services entering the black economy. For these and other reasons Mr. Freud's estimate that the contribution made by fraudulent retailers to the black economy amounted to between 1 per cent and 1 per cent of GDP is not only nonsense but dangerous and divisive nonsense.

If estimates of the volume of undeclared incomes are to be made let them be all-embracing and not concentrated on one section of the population, the self-employed and small businesses, on the basis of false facts.

J. C. Holland, Lear House, Moorland Road, Burslem, Stoke-on-Trent.

### A wealth tax

From the Deputy Director-General, CBI

Sir—Mr. McGregor (April 5) says that a wealth tax would be "a very acceptable substitute for inflation." He is wrong. Mr. Peter Shore put it in a nutshell recently when he said: "It is folly to dispose of your capital and use the proceeds as income." It is indeed, and that is precisely what a wealth tax would do. If we as a country are to solve the immense problems which face us we must do the right things and not the wrong but allegedly popular ones.

Edward James, Confederation of British Industry, 21, Tophill Street, S.W.1.

### Assisting exporters

From the Chairman, Sanderson Engineering

Sir—With reference to the letters of Mr. Barrie Quilliam (March 30) and Mr. I. A. Younger (April 5), the latter's comments are valid but seem to ignore the point made by

Mr. Quilliam in the first place. I must support his doubts that the Export Credit Guarantees Department policy is of any use to the smaller firm/exporter, at best they are of dubious value and certainly of little use if you have to make a claim. There are many pitfalls for the unwary and regulations that do not appear in the documentation issued.

There is great need for the Department to issue a booklet spelling out its conditions in the English language in much the same way as, say, commentaries are available on British Standards. Maybe the professionals of the International Export Association could do it for us all if ECOD is too busy elsewhere.

Sanderson Engineering, Sanderson House, Allensway, Thornaby, Stockton-on-Tees, Cleveland.

### The rented sector

From the Press Officer, Small Landlords' Association

Sir—Clearly continuity of tenure need not constitute an obstacle to any building societies that operate in the rented sector (Mr. Thornton's letter, April 6).

But as for managing as well as housing associations it must be remembered that their basic balance on "fair" rents because they receive substantial subsidies (as much as 75 per cent) through the Housing Corporation. This, despite the fact that housing associations purchase some occupied property from private landlords at discount prices.

If the building societies are really going to increase the supply of rented accommodation, they will have to purchase unoccupied property. If they then accept the strictures of the Rent Act and let it out at "fair" rents, they will make substantial losses unless they too enjoy large Government subsidies.

G. F. Cutting, c/o 7 Rosedale Avenue, Streatham, SW16.

### Taking the strain

From the Board Member for Marketing, British Railways Board

Sir—Doubts have been expressed in various quarters as to the future of the advanced passenger train project. I should like to make it clear that these doubts are not shared by British Railways Board which regards APT as an even more promising development than the already successful high speed train.

In particular, the criticism voiced by Mr. Mortimer (April 9) that APT is inappropriate for the west coast main line is misplaced. The west coast main line has many sharp curves and steep gradients. At 125 mph maximum, APT can reduce journey times by nearly an hour between London and Glasgow, whereas time savings with a conventional 125 mph train have been shown by studies we have done to be small.

Surveys show that 75 per cent of air passengers will be interested in trying APT on such a schedule.

R. B. Reid, British Railways Board, 222, Marylebone Road, NW1.

## Today's Events

### GENERAL

UK: National Association of Schoolmasters-Union of Women Teachers conference opens at Eastbourne (until April 20). National Model Railway Exhibition, Central Hall, Westminster (until April 21). National Union of Teachers conference, The Spa, Scarborough (until April 19). National Union of Students

conference opens, Winter Gardens, Eastbourne (until April 21).

Overseas: Rhodesian "one-man one-vote" elections commence (until April 21). U.S. Vice-President Mondale visits Norway.

COMPANY RESULTS  
Final dividends: George M. Callender and Co. Cosalt.

Currys, Dreamland Electrical Appliances, Read Executive Interim dividends: A. Aronson (Holdings), Dunbee-Comber-Max.

See the Financial Diary on Page 10.

LUNCHTIME MUSIC, London  
Recorded music by D'Indy and Faure at Holy Sepulchre, Holborn Viaduct, 1.10.

### EXHIBITIONS

Victoria and Albert Museum: Eileen Gray, Designer, 1879-1976, Room 48E (until April 22); Samuel Palmer—A vision recaptured—The etchings and related paintings for Virgil and Milton, Room 74, Library Gallery (until May 6). Museum of Childhood, Bethnal Green: Puppets of the World (until May 27).

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Trade Development Bank Holding S.A. (TDB Holding) will be held at the registered office of the company, 34, Avenue de la Porte-Neuve, Luxembourg at 2.30 p.m. on 8th May, 1979 for the purpose of considering and voting on the following matters:

1. Approval of the report of the Chairman of the Board of Directors and of the Statutory Auditor for the period ended 31st December, 1978, and approval of TDB Holding's balance sheet as at 31st December, 1978 and profit and loss account for the year ended 31st December, 1978.
2. Discharge of the Directors and of the Statutory Auditor for the proper performance of their duties for the period ended 31st December, 1978.
3. Appropriation of US\$ 650,000 to the legal reserve, distribution of a dividend of US\$ 10,662,145 (US\$ 0.65 per share) and the carrying forward of the balance of the profit.
4. Election of the Board of Directors and of the Statutory Auditor for 1979. All the Directors are eligible and stand for re-election. Election of Mr. John A. Wasge as a new member of the Board of Directors.
5. Approval of the consolidated balance sheet as at 31st December, 1978 and profit and loss account for the year ended 31st December, 1978 for TDB Holding and its subsidiaries.

By Order of the Board,  
Edmond J. Safra,  
Chairman

### NOTES:

Subject to the relevant resolution being approved, the dividend will be payable on 31st May, 1979: (i) in respect of registered shares to shareholders on the register at the close of business on 1st May, 1979 and (ii) in respect of bearer shares against surrender of Coupon No. 7 to any of the Paying Agents listed below.

Any shareholder whose shares are in bearer form and who wishes to attend the Annual General Meeting in person must produce a depositary receipt or present his share certificates to gain admission. If he wishes to be represented at the meeting, he must lodge a proxy duly completed together with a depositary receipt at the registered office of TDB Holding at 34, Avenue de la Porte-Neuve, Luxembourg, not later than 7th May, 1979 at 6.00 p.m. The shareholder may obtain the depositary receipt and, if required, the form of proxy from any of the banks listed below by lodging his share certificates at their office or by arranging for the bank by whom his certificates are held to notify any of the banks listed below that the shares are so held.

- \*Manufacturers Hanover Limited, 8 Princes Street, London EC2P 2BN.
- \*Banque Internationale à Luxembourg S.A., 2, boulevard Royal, Luxembourg.
- \*Manufacturers Hanover Bank Belgium, 13, rue de Liège, 1000 Brussels.
- \*Manufacturers Hanover Banque Nordique, 20, rue de la Ville-L'Évêque, 75008 Paris.
- \*Manufacturers Hanover Trust Company, 40 Wall Street, New York, N.Y. 10013.
- \*Manufacturers Hanover Trust Company, Bochenheimer Landstr. 51/53, Frankfurt.
- \*Republic National Bank of New York, 452 Fifth Avenue, New York, N.Y. 10018.
- Trade Development Bank, 25, Corso S. Gotardo, 6830 Chiasso, I.
- \*Trade Development Bank, 21 Aldermanbury, London EC2P 2BX.
- Trade Development Bank (France) S.A. 20, Place Vendôme, 75001 Paris.
- \*Trade Development Bank (Luxembourg) S.A., 34, Avenue de la Porte-Neuve, Luxembourg.
- Trade Development Bank, 2, place du Lac, 1211 Geneva.

\*Paying Agent of TDB Holding

### The Insurance Corporation of Ireland Limited

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of the company will be held at the Shelbourne Hotel, St. Stephen's Green, Dublin 2, on Friday, 4th May, 1979, at 12.00 noon for the following purposes:

1. To receive and adopt the report of the Directors and the accounts for the year 1978;
2. To declare a dividend;
3. To elect a Director;
4. To authorise the Directors to fix the remuneration of the auditors;
5. To transact any other ordinary business of the company.

By Order of the Board  
C. J. LOBO  
Secretary

Copies of the report are available at Burlington Road, Dublin 4, or at any of our branches.

Proxy forms must reach the Secretary of the company at Burlington Road, Dublin 4, not less than 48 hours before the time appointed for the holding of the meeting.

# Group deposits exceed £2,000 million



The 28th Annual General Meeting of the Bank of Scotland will be held on 8th May within the Head Office, Edinburgh. The following is an extract from the statement by the Governor of the Bank, The Rt. Hon. Lord Clyde, M.P., K.T., C.B., M.B.E.

**The Year's Results**  
The Group's operating profit for the year ended 28th February 1979 was £33,107,000, an increase of 13.3% over the figure for the previous year, as adjusted for accounting changes. Adding in our share of Associated Companies' profits -

which represents the return from investments of a now quite substantial level - brings out a pre-tax profit of £34,282,000 and, after tax and extraordinary items, the profit attributable to the Proprietors is £22,289,000.

The increase of £5.3 million in pre-tax profit came this year mostly from the Clearing Bank, with relatively smaller contributions from the two major subsidiaries - the converse of the experience a year ago. Average Base Rate rose by 3.26% to 10.11%, partially reversing the fall of 3.7% a year ago and average sterling resources were some 12% higher, to the effect that net interest earnings from our domestic business showed a good increase. Lending in foreign currency also expanded and contributed to the improvement in net interest income. Commissions and service charges recorded only a moderate rise, while mounting expenses went a long way towards offsetting the overall revenue benefit. In the final outcome, with a further increase in our share of the profit of International Energy Bank, the parent Bank's profit was about £4.6 million ahead of last year's adjusted figure.

At the pre-tax level, North West Securities Ltd. and their Associated Companies contributed £7,924,000 to the Group Results - over £400,000 more, in a year which was marked by the adverse effect upon fixed-rate business of the higher level of interest and also by an increasingly competitive climate. The major Associate is Hanley Ltd., North West's share of whose profits is brought in for the first time, and this figure - reflecting their record results - is an important element.

The British Linen Bank's contribution to the Group's result is £3,474,000, some £200,000 higher than last year, reflecting a useful increase in volume of business of all kinds. The merchant banking business of the British Linen is now firmly based and they are developing their potential in each type of activity. Shortly, they intend to open an office in London.

### Strong Balance Sheet

The Bank's Balance Sheet, showing Deposits at £1,584 million and Advances £1,330 million, demonstrates a further substantial increase in resources and a highly liquid position.

The Consolidated Balance Sheet brings out total resources employed as £2.4 billion, an increase of £414 million, or 21%, over the previous year.

### Dividend

The Board recommend a payment of a Final Dividend of 6.083p per £2 bringing the total in respect of 1978/79 to 12.1853p per £2, the maximum which can be paid under the continuing governmental restraints.

### The Economy

Corporate investment was fairly buoyant in 1978, increasing by 7% in real terms. We shall be fortunate if it can be maintained at around that level in 1979. Increased costs and expectations of reduced profitability in many industries could well cause the reversal or deferment of a number of investment decisions.

Not least important among the factors pointing to increased costs is the current high level of interest rates. High rates, although beneficial in the short term to the banking sector, are a deterrent, in conditions of poor productivity and low return on capital, to new investment by industry.

The banking industry thrives on a buoyant economy. Although high interest rates produce an immediate benefit in terms of profits, banks would far rather see an upsurge in economic activity accompanied by fuller utilisation of borrowing limits and a spate of new applications for finance. It is in such conditions as these that the long term prosperity of the banks is best assured.

In Scotland, after experiencing fuller utilisation of industrial capacity and a marginal decrease in unemployment during 1978, we suffered a decided setback in the opening months of 1979. The consequences of disruptive strikes in the service industries have not yet been measured but they have clearly damaged production in a number of industries, some of them, regrettably, industries vital to our export trade.

Despite present uncertainties, the results of a recent survey by the Scottish Council (Development and Industry) are surprisingly encouraging: manufacturing companies in Scotland plan to invest £579 million this year in new buildings, plant and machinery. The net gain in employment is predicted to be in the region of 4,000 and there will, in addition, be continuity of work in the construction industry to offset the damaging cuts in public expenditure imposed by the Government. If these forecasts are even only partially fulfilled, we shall fare rather better in 1979 than anyone would have dared to prophesy at the height of the industrial troubles.

### The Executive

In September 1978 we announced the appointment as Deputy Treasurer and General Manager of the Bank of Mr. D. E. Pattullo, then Director and Chief Executive of The British Linen Bank Ltd., and formerly General Manager of its predecessor, Bank of Scotland Finance Company Ltd. These successive posts Mr. Pattullo held with distinction for a period of over six years. In making this appointment we were planning for the succession to the office of Treasurer and General Manager, Mr. A. M. Russell having expressed the wish to retire.

Mr. Russell will leave office on 3rd July 1979, thus completing over five years in the demanding role of chief executive and bringing to a close a career of 43 years in Scottish banking. His period in the highest office has been characterised by a great interest in people, both staff and customers, by his sureness of touch and a selfless dedication to the interests of the whole Group.

We have appointed Mr. Pattullo as Mr. Russell's successor, bringing him back, so to speak, to the centre of the stage, completely confident that under his guidance the affairs of the Bank of Scotland Group will continue to prosper.

### Staff

Staff at all levels have continued throughout the year to work loyally and conscientiously for the betterment of the Group. Their loyalty was nowhere more clearly seen than at the height of the winter blizzard when, despite blocked roads and the absence of transport in many areas, members of staff made a point of turning up for duty. I am glad to record that relations with the Staff's representatives, the National Union of Bank Employees, have continued on a sound basis and we have been responsive to a number of proposals which they have put to us.

In particular, the Board have agreed, as have the majority of other clearing banks, to introduce a profit-sharing scheme under which employees of the Group will have the option of taking their annual share of profits either in the form of an allocation of Stock or in cash. The inception of such a scheme, calculated as it is to give employees of the Group an opportunity to acquire a stake in it and identify themselves more closely with its future fortunes, is a measure which the Board are confident will prove to be rewarding.

### SUMMARY OF GROUP RESULTS

Year ended 28th February	1979	1978
	£000's	£000's (adjusted)
Group operating profit	32,107	28,189
Share of associated companies' profits	2,145	766
Group pre-tax profit	34,252	28,955
Profit attributable (after tax and extraordinary items)	22,289	18,774
Retained in business	18,339	15,237

## BUSINESSMAN'S DIARY UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Apr. 18-21	National Food Services (01-686 7181)	Grosvenor House, WI
Apr. 22-24	Numerical Control Equipment Exhibition (01-331 7055)	National Agricultural Centre, Warwickshire
Apr. 23-27	Storage, Handling, and Distribution Exhibition (01-426 2411)	Earls Court
Apr. 23-27	International Fire, Security and Safety Exhibition (01-388 7661)	Olympia
Apr. 25-26	Contract Flooring Exhibition (01-236 0911)	Exhibition Centre, Bristol
Apr. 30-May 6	Boat Show (0703 32348)	Exhibition Centre, Harrogate
May 2-4	International Freight Services and Equipment Exhibition-Freight Show North (01-437 0644)	

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Trade Fair (until April 23)	Milan
Apr. 19-25	International Book Fair	Jerusalem
Apr. 20-27	International Spring Fair (01-486 1951)	Zagreb
Apr. 20-28	International Household Fair	Amsterdam
Apr. 21-28	AGRO 79—Northern Agricultural Fair	Braga
Apr. 21—May 1	Swiss-Industries Fair and European Watch, Clock and Jewellery Fair	Basel
Apr. 25-28	FESPA 79 International Screen Printing Trade Fair	Amsterdam
Apr. 28-May 2	International Collectors' Fair (01-236 0911)	Stuttgart
Apr. 28-May 13	International Trade Fair	Brussels
Apr. 30-May 3	11th Annual Offshore Technology Conference and Exhibition (01-486 1951)	Houston
May 21-26	British Machine Tools Exhibition and Seminar (01-215 7377)	Seoul
June 6-16	All-British Energy Exhibition (021-705 6707)	Peking
June 8-July 1	International Transport Exhibition (IVA 79) (02013 4450)	Hamburg
June 9-17	33rd International Aeronautics and Space Exhibition (01-438 3964)	Paris
June 10-18	International Technical Goods Fair (01-215 7877)	Poznan

## BUSINESS AND MANAGEMENT CONFERENCES

Apr. 18-19	IMPI/AMEDA: Microwave-a Cooking Revolution (0582 411001)	London, W8
Apr. 18	AGB: Executive Secretary (01-353 3651)	Charing Cross Hotel, WC2
Apr. 18-20	Eurotech Management Development Service: Be a More Effective and Persuasive Communicator (0232 313066)	Cafe Royal, WI
Apr. 19	AGB: Essentials of Employment Law (01-353 3651)	Cafe Royal, WI
Apr. 19-20	FT Conference: South East Asian Banking and Finance (01-236 4382)	Singapore
Apr. 19-20	MSS Computer and Business Consultancy: Manufacturing/Production Control Concepts (Worthing 34755)	Worthing
Apr. 19-20	Malaysian Investment Centre: Assisting UK Businessmen in the Expansion of Trade and Investment Opportunities in Malaysia (01-493 0616)	Pleasance Hotel, Manchester
Apr. 20-23	IFM: Current and Future Developments in Pay Policy and Industrial Relations Practice (0865 735422)	Kennington, Oxford
Apr. 23-27	University of Bradford Management Centre: The Practical Skills of Managing People at Work (Bradford 42259)	Haddon Mount, Bradford
Apr. 23-May 4	Brunei Institute: Management of Research (Uxbridge 56461)	Uxbridge
Apr. 23-27	Management Centre Europe: Marketing Management Course	Brussels
Apr. 24-26	ESC: International Conference on Trans-National Data (067282 2711)	Brussels
Apr. 25	DMR: Planning Outlook Markets for the Mid 1980s (Leeds 234458)	Shrewsbury
Apr. 25	CCCA: Credit Control (01-405 1023)	Waldorf Hotel, WC2
Apr. 25	CCC: Industrial Tribunals-The Finance and Strategy of Preparing and Presenting Cases (01-222 6382)	Royal Garden Hotel, W8
Apr. 25-27	Institute for International Research: The 1979 Corporate Tax Conference (01-388 4817)	St. James, London SW1
Apr. 26	OEM: Design Machine: Microprocessors for your company (01-339 3143)	Cavendish Conference Centre
Apr. 26	BAS: Insuring Overseas Construction Projects (01-222 0323)	Cafe Royal, WI
Apr. 26	Mobile Training: Employee Participation-The Way Ahead (01-242 3067)	The Bull Hotel
Apr. 26-27	Executive Offices: Developing Technical Men as (Better) Managers (0454 33171)	Hotel Inter-Continental, WI
Apr. 26-27	CCC: Tendering and Contracting in UK and Overseas (01-222 6382)	Basinghall St. EC3
Apr. 26-June 28	FT/The City University: City Course (01-236 4932)	University of Leeds
Apr. 27	The University of Leeds: Basic Principles of Community Law (053235638)	The Post House, Northside
Apr. 30	Fielden House Productivity Centre: The Companies Bill and the Forces Directive (061 441 3428)	Metropole Hotel, Brighton
Apr. 30	Institute of Grocery Distribution: 1984-For better or worse?	Carlton Tower Hotel, SW1
May 1-2	Management Studies Centre: Second International Word Processing Convention (01-940 6656)	Royal Garden Hotel, W8
May 2	Bent Business Promotions: Contract Furnishings-Reducing the Fire Hazard (Edenbridge 863944)	Bull Hotel, Garrards Cross
May 5	Executive Conferences: Visual Inspection (High Wycombe 33171)	London Hilton
May 8-10	Crown Eagle Communications: UK Government Contracts (01-636 9617)	Press Centre, EC4
May 9-10	AMR International: Multi-Currency Asset Management (01-262 2732)	Press Centre, EC4
May 11	CCC: Takeovers and Acquisitions-Optimum Terms for Vendor and Purchaser (01-222 6382)	Bull Hotel, Garrards Cross
May 11	Executive Conferences: Quality Manuals-Development and Preparation (High Wycombe 33171)	

## American Trust Company Limited

Summary of the results for the year ended 31st January 1979

### MAIN FEATURES

	1979	1978
Net assets attributable to shareholders	£50.0m.	£43.7m.
Net asset value per share	60.6p	52.9p
Revenue available for ordinary shareholders	£1.36m.	£1.12m.
Earnings per ordinary share	1.70p	1.42p
Earnings per ordinary share assuming full conversion of B ordinary shares	1.64p	1.36p
Dividends per ordinary share	1.55p	1.35p
Capitalisation issue (B ordinary shares)	3.81985%	3.86640%

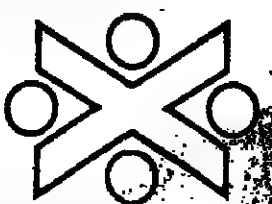
### DIVIDEND AND ASSET VALUE

The directors recommend that a final dividend of 1p per share be paid on the ordinary shares, making a total for the year of 1.55p per share. This total dividend represents an increase of 14.8 per cent over last year. Asset value per equity share, on a slightly greater number of equity shares in issue, showed an increase of 14.5 per cent over the year.

### PORTFOLIO DISTRIBUTION

	1979	1978
United Kingdom	47.3	50.2
U.S.A.	36.1	33.6
Japan	3.5	3.0
Canada	3.4	2.3
Europe	3.0	2.0
South America	1.4	1.3
Far East	0.1	0.7
Net current assets	5.2	6.9
	100.0	100.0

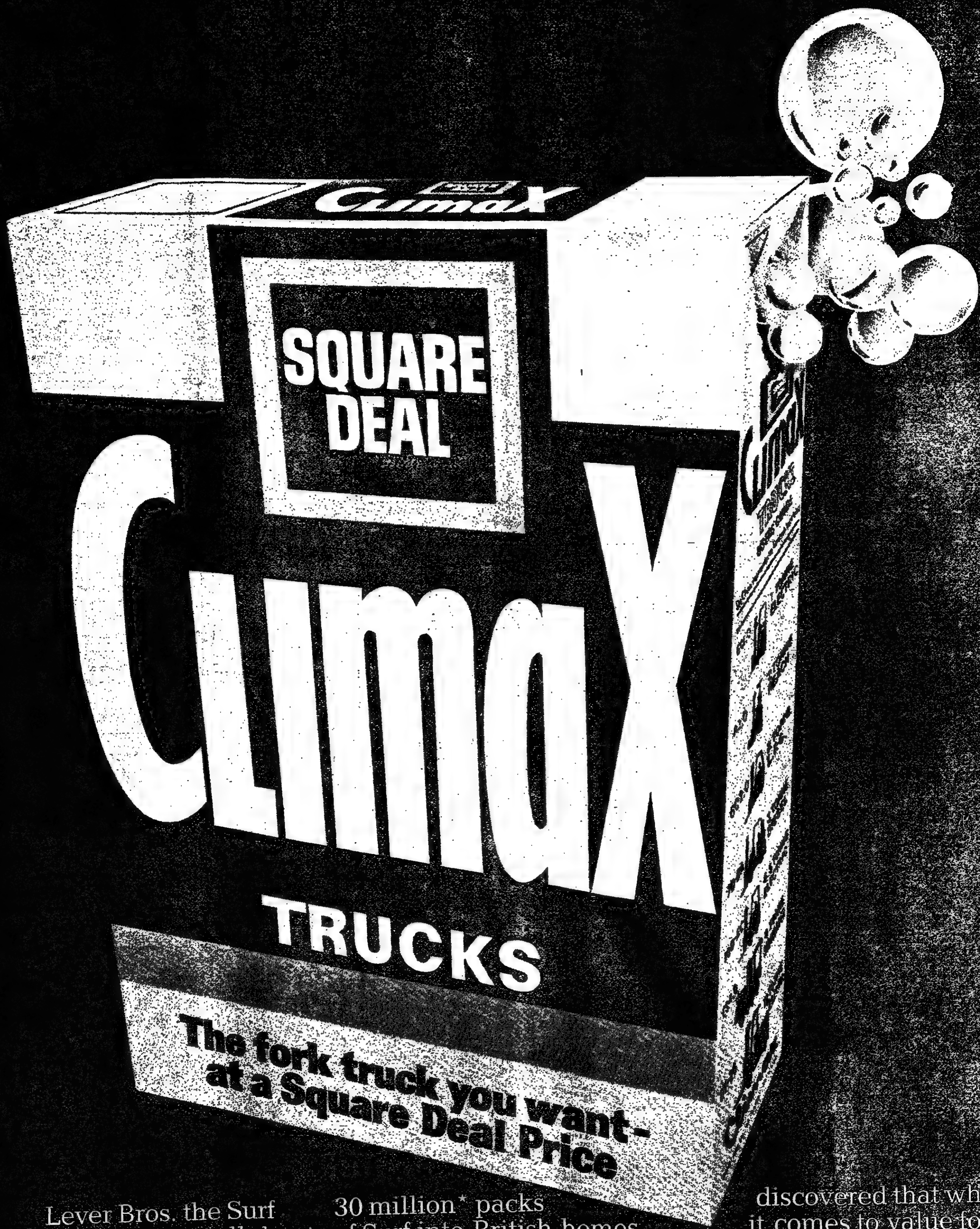
Copies of the report and accounts may be obtained from the managers and secretaries, Edinburgh Fund Managers Ltd., at 4 Melville Crescent, Edinburgh EH3 7JB, where the annual general meeting will be held on Tuesday, 8th May 1979, at 12.15 p.m.



# BANK OF SCOTLAND

Handwritten signature or stamp.





Lever Bros. the Surf people - who know all about square deals - use Climax fork lift trucks.

A fleet of Climax trucks is employed at Lever Bros' 'Port Sunlight' Plant, helping to shift over

30 million\* packs of Surf into British homes every year.

We've built a reputation at Climax for building machines that outlast and out-perform our rivals.

And Lever Bros. have

discovered that when it comes to value for money, Climax shows most other fork lift trucks a clean pair of wheels.

\*Independent Market Research

**Climax**

Coventry Climax Limited, Sandy Lane, Coventry CV1 4DX. Telephone: Coventry (0203) 555355. Telex: 31632



## Companies and Markets

## UK COMPANY NEWS

# Royal Insurance warns on judgements convention

THE BRITISH Government should not ratify the proposed Convention for the Enforcement of UK/US Judgments declared by Mr. Daniel Meinerzhagen, in his chairman's statement with the report and accounts of Royal Insurance Company for 1978.

He points out that the Government had indicated that manufacturers should have a strict liability for their products and that this could lead to a situation similar to that in the U.S. with high court awards. He did not think this likely because of the two different legal systems. But the proposed Convention would have the effect of importing into the UK a system of foreign law that offered no benefits as far as this country was concerned.

Mr. Meinerzhagen referred to the intensifying competition that was occurring in world-wide insurance operations, that in Canada and Australia particularly affecting the company. There were clear signs of the capacity of insurance markets increasing at a more rapid rate than the available business. Although the company was well placed to compete hard and successfully, it would continue to stand aside where rates had become so depressed as to inevitably lead to losses.

The company was constantly endeavouring to attain a greater degree of stability in world market conditions and it intended to use its strength to seek to reduce the severity of the pattern of recent underwriting cycles. These cycles had been brought about by the industry itself largely inflicted through lack of underwriting discipline. The demand for reinsurance was for a number of reasons rising more rapidly than that for insurance itself. The group's reinsurance business was becoming increasingly important. To

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's results.

FUTURE DATES	
Interim—A. T. O'Leary	Apr. 26
London (Walter)	Apr. 27
McKeechies Brothers	Apr. 28
Simpson (S.)	Apr. 28
Amalgamated Metal	Apr. 23
Bentley	Apr. 19
Cornwall	Apr. 23
Claydon, Son	Apr. 20
Daniels Bacon	Apr. 24
Derwent Stamping	May 8
Electrical and Indus. Secs.	Apr. 23
European Farma	May 8
Farnell Electronics	Apr. 24
Findlay (A. R.)	Apr. 23
Hammerman Property	Apr. 27
Hawker Marine	Apr. 19
Highcroft Investment Trust	May 3
London United	Apr. 23
Myson	Apr. 18
Office and Electronic Machines	Apr. 23
Perry (Harold)	Apr. 26
Reverdy	Apr. 23
Shillington	May 2
Simmons Hunter	Apr. 24
Standard Chartered Bank	Apr. 24
Tosser, Kemley and Milbourn	Apr. 24

meet this situation Royal Insurance, a new specialist reinsurance company subsidiary, had been set up as the reinsurance business of the group transferred into it.

● **comment**  
Royal's underwriting results in the first quarter are likely to be worse than they were a year ago. Storm damage in the UK could cost roughly double 1978's figure of £20m or so, while continental Europe and the U.S. have also

had a time. But Royal remains confident about its ability to withstand the wider extremes of the underwriting cycle. And its balance sheet has been further strengthened, with outstanding claims reserves up from \$0.6 to \$3.1 per cent of written premiums at year-end exchange rates.

## CIT sale to NatWest completed

C.I.T. Financial Corporation has completed the sale of 100 per cent of its interest in National Bank of North America to National Westminster Bank of the UK, for about \$430m (£206m). All C.I.T. directors who were also directors of National Bank of North America resigned from the bank's board and Mr. John H. Vogel chairman and chief executive of National Bank of North America resigned from C.I.T.'s board.

These resignations were necessary to terminate C.I.T.'s status as a regulated bank holding company.

Monks Investment Trust has sold \$5.25m of investment currency at an average premium of 43.6 per cent on an exchange rate of £2.02, and has replaced \$3m of the amount sold with a bank loan repayable on April 5, 1984 and with a variable rate of interest.

Part of the repatriated proceeds has been invested in short-dated sterling obligations to offset the effect on the revenue account of the interest on the loan.

## Profit rise at IBM-UK

Profits before tax of IBM United Kingdom Holdings rose 33 per cent from £10.1m to £14.7m in 1978 on turnover of 31 per cent at £758m compared with £578m previously.

Sales to UK customers rose 35 per cent to £425m while exports increased to £334m from £284m in 1977.

Commenting on the results, Mr. E. R. Nixon, chairman and chief executive said demand for all group products was buoyant as customers continued to invest in information processing equipment to increase productivity, and to control and expand their businesses.

Manufacturing capacity was extended at both Havant and Greenock and construction work continued on the second phase of the regional marketing centre at Warwick (due to be opened later this year), and there were other branch office improvements.

Looking ahead to 1979, the chairman says the advances in technology incorporated in the recently announced System/38 and 4300 Processors, will enable the group to provide customers with substantial improvements in price/performance, and he anticipates a steady growth in demand.



Mr. Archie Aronson, chairman of A. Aronson (Holdings), at the company's St. Albans works, where the group has just spent \$600,000 on further automation. The group, Europe's largest manufacturer of wooden office furniture, is due to announce its interim results today.

## Demand beats output at Jones & Shipman

FURTHER PROGRESS is expected at A. A. Jones and Shipman in 1979, following last year's growth in taxable profit from £2.25m to £3.22m. However, Mr. F. W. Brooks, the chairman, says that uncertainties in markets both at home and abroad make accurate forecasting difficult.

Meanwhile order intake for the first three months of the current year was up and in excess of works output. On average the present order book represents some eight months production Mr. Brooks states.

"The pressure to increase works capacity to match current demand has to be tempered by our knowledge of the traditional volatility of the world machine tool market and the determination, as far as possible, to provide steady employment at all times," says Mr. Brooks.

In 1978 the company, which makes and distributes precision grinding and honing metal-working machine tools, lost some orders because potential customers needed quicker delivery than it could offer.

"We would have preferred the increase in output to have been higher than that actually achieved, but the gearing up of our manufacturing processes is a complex operation and takes a

great deal of time," the chairman explains.

The group currently has a considerable investment programme in hand including a 24,000 sq ft extension of its Coles Park factory in Derbyshire due to be completed by the end of this year.

In addition to aid under the Machine Tool Industry Scheme, because it is in a development area this building will also qualify for Government assistance.

It will double the existing area and allow more concentration on the manufacture of the group's Model 540 surface grinder. Mr. Brooks says.

Demand for this machine remains high and the development should enable its market share to be increased.

For 1978 the group lifted total sales to £18.96m (£13.74m) of which near 45 per cent (38.4 per cent) was exported. As reported March 15 the net total dividend is raised to 6.4p (5.37p).

Year bank overdraft was down from £473,000 to £38,000 and net liquidity was up £183,000 (£51,000). Capital commitments amounted to £2.1m (£1.58m) of which £1.44m (£1.29m) had been authorised but not contracted.

Meeting, Leicester, on May 9 at 2.15 pm.

FOR the current year, Mr. C. E. Croft, chairman of Bronx Engineering Holdings, confidently expects profit to be above last year and that this trend will continue into 1980.

There is an improved order position which became apparent in the late summer of 1978 and both home and export markets are looking brighter, Mr. Croft states.

In the year ended November 30, 1978, profits before tax fell from £790,281 to £317,213 on turnover of £12.71m compared with £11.52m.

The chairman says that for a year starting in the third quarter of 1977, order intake was substantially down due to the depressed state of the markets and resultant severe competition.

In May last year, directors were forced to bring in a redundancy programme involving a reduction of 60 at a cost of £51,371 in severance and redundancy payments.

Exports for the year represented 46 per cent of turnover and together with the larger proportion of export orders on hand at the year-end, we have to look outside our home market for the expansion of our activities," the chairman declares.

The accounts show an increase in net liquid funds of £53.1m (£12.2m).

Inflation accounts show a reduction in taxable profits of £4.1m. This comprises £1.6m for depreciation, £1.2m for cost of sales adjustment, a £2.1m adjustment for net monetary assets and a gearing adjustment credit of £0.8m.

# Bank of Scotland chief calls for more borrowing

ALTHOUGH HIGH interest rates produce an immediate benefit in terms of profits, banks would rather see an upsurge in economic activity accompanied by fuller utilisation of borrowing limits and a spate of new applications for finance, says Lord Clyde, governor of the Bank of Scotland.

"Corporate investment was fairly buoyant in 1978, increasing 7 per cent in real terms. We shall be fortunate if it can be maintained at around that level in 1979. Increased costs and expectations of reduced profitability in many industries could well cause the reversal or deferral of a number of investment decisions," he observes in this annual statement.

At the end of 1978-79 the bank's balance sheet showed a substantial increase in resources and a highly liquid position with deposits at £1,885m (£1,379m) and advances at £1,240m (£966m), he points out.

Foreign currency business now amounts to about 27 per cent of total portfolio with a good proportion funded from customers' deposits. On the sterling side deposits continued to finance most of the bank's business and only minimal recourse was made to the "wholesale" market.

Total resources employed by the group at year end were up 21 per cent to £2,424m. Its capital ratio position has been improved by accounting changes, and the proportion of total capital and "free capital" to deposits and notes came out at 8.3 per cent and 4.1 per cent respectively.

Group taxable profit for the year to February 28, 1979, advanced to £34.25m (£26.36m) and the net dividend is stepped up to 12.185p (10.976p)—as reported April 4.

On a current cost basis, along the Hyde guidelines, profit is cut to £24.5m (£20.6m) by adjustments for free capital of £8m (£5.9m), depreciation £1.2m (£0.9m) and £0.6m (£0.5m) related to associates.

Working capital at year end was up £22.8m (£8.12m) and capital commitments amounted to £4.07m (£2.8m).

The merchant banking business of British Lloyds Bank is now firmly based and it intends, shortly, to open an office in London, he says.

Meeting, Edinburgh on May 8 at 12.15 pm.

● **comment**  
Bank of Scotland's international business has grown rapidly since 1976. Foreign currency lending now accounts for 37 per cent of the group's total and international profits contribute around a tenth of earnings. To support the growth Bank of Scotland took the decision last year to build up well over £100m of medium-term deposits and standby facilities from overseas banks. It is not ruling out the possibility of a floating rate note issue at some stage, but at the moment it feels that its present strategy is cheaper and gives the bank access to more funds.

UniChem up 27.3% to record £4.2m

UniChem, the independent pharmaceutical wholesaler, reports pre-tax profits for 1978, up 27.3 per cent to a record £4.2m, compared with the corresponding 1977 figure of £3.2m.

Annual sales figures for the company—which is a registered co-operative society—are £99.2m, which represents a 38 per cent increase over the 1977 figure of £72m.

Mr. Peter Dodd, managing director, says the share of profits allocated to members will be the highest ever increase in one year; the board proposes to recommend a distribution of £2.2m, nearly double the previous year's £1.2m.

Indexed at £1.2m, this figure is interest on members' shares at 15 per cent.

● **B & C/COMMON**  
British and Commonwealth Shipping Company, the ship and aircraft operator, has sent out the bid document detailing its 300p per share cash offer for Common Brothers, the ship owning services and insurance broking group.

Mr. W. N. Cayer, the chairman of B & C, says the offer is "a very attractive one."

Insurance base rates

↑ Property Growth 11.3%  
↑ Vanbrugh Guaranteed 10%  
↑ Address shown under Insurance and Property Bond Table.

COBAL INDEX: Close 545.550

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual interest gross pay-able	Minimum term	Life bond
Knowsley (051 548 6555)	11.1	1-year	1,000 5-7
Poole (02013 5151)	10.8	1-year	500 5-7
Poole (02013 5151)	11.1	1-year	500 6-7
Redbridge (01-478 8030)	11.4	1-year	200 4-5
Redbridge (01-478 8030)	11.4	1-year	200 6-7
Wrexham (0952 505051)	11	yearly	1,000 2-3

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 27.4.79.

Term (years)	3	4	5	6	7	8	9	10
Interest %	10.4	10.5	10.6	11	11.1	11.2	11.4	11.5

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91, Waterloo Road, London SE1 8XP (01-522 7828, Ext. 177). Cheques payable to "Bank of England, s/c FFI" FFI is the holding company for IFC and FCI.

# Rising income at Law Land

INCOME of the Law Land Company continues to rise, and the immediate objective is to raise earnings enough to justify restoring the dividend to its former level, says Sir Henry W. Jones, chairman.

The company, which is concerned with property investment and development in the UK and Belgium, is obtaining income increases out of a steady flow of leases falling or rent reviews. There is also considerable scope for improving the terms of leases.

Property in Birmingham, Leicester and Brussels is now, taken together, almost half let. In the current year, the benefit of rising income should flow through to net earnings without much distortion by "unusual factors," says the chairman.

Sir Henry says it is too early to forecast the results of any property trading operations, but his Australian companies have a full programme in hand, and there are several UK transactions at various stages of progress.

He says the past year's results were affected by a number of unusual items, on balance favourable. A Brussels site which had now been sold had been written down earlier by an excessive amount, and £910,000 has been included in extraordinary items and transferred to capital reserve.

In addition an estate of houses built by a subsidiary in 1970-72 has suffered structural defects, and a provision of £432,000 has been made as an exceptional item to deal with these.

As reported pre-tax profit for 1978 advanced from £134,337 to

£312,095 before exceptional and extraordinary items.

A report on turnover and pre-tax profit by class of business shows for the investment sector: UK £4,700,747 and £553,008 (£4,500,522 and £517,363); Belgium £108,496 and £239,375 loss (£196,779 and £365,971 loss); Belgium £352,549 and £514,508 loss (£103,034 and £1,006,632 loss).

In the trading sector: UK £1,932,350 and £475,545 (£1,804,500 and £1,182,850); Australia £3,181,994 and £397,026 (£1,778,955 and £129,718).

The directors point out that in the case of properties held as trading stocks they are continuing to include such properties in the balance sheet at the lower of aggregate cost and aggregate valuation, although this is not in strict accordance with standard accounting practice.

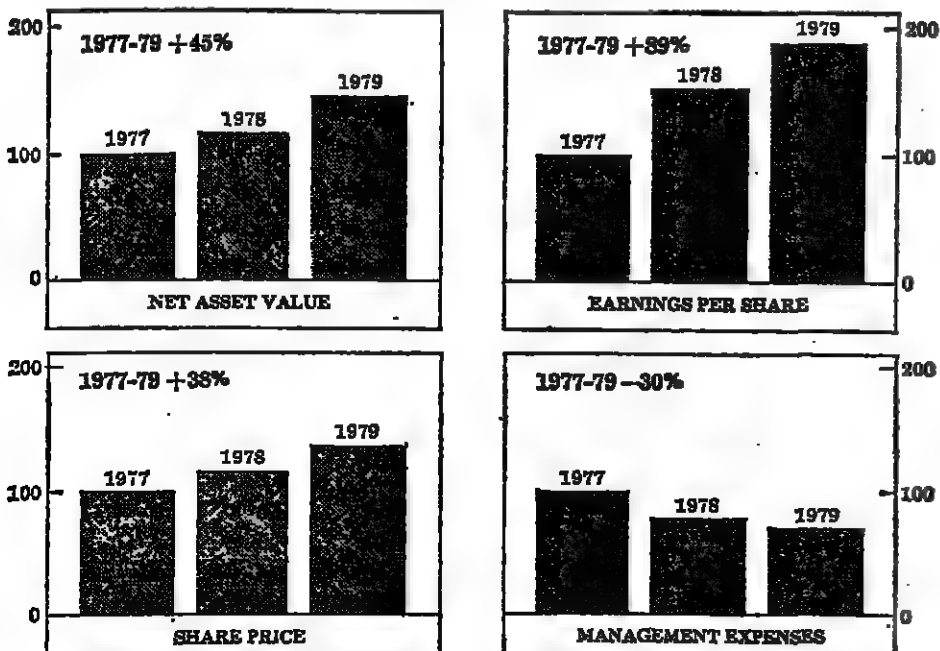
They also say they consider it inappropriate to give an estimate of the potential tax liability which would arise if properties included in the balance sheets as fixed assets were realised at the values stated. The auditors' report mentions both points.

● **Viking Resources**

Earnings of Viking Resources Trust investment company, were higher at £133,462 for the year ended March 31, 1979 against a previous £152,779 after tax, interest and expenses, equivalent to 1.83p per 25p share against 1.63p.

Total income was up from £511,265 to £550,914.

# The Mercantile Investment Trust Limited



Comments by the Chairman, Mr. G. J. A. Jamieson:

While we still feel it right to sound a note of caution on the U.K. economy, we now feel a greater confidence about the U.K. stock market than we have done for several years.

Following a rise in dividend of 36% in 1978-79, from 1.25p to 1.70p, per share, the board has forecast a further increase for the current year. This reflects its confidence in a continuation of the excellent performance of the past few years.

The Annual General Meeting will be held at The Chartered Insurance Institute, 20 Aldermanbury, London EC4V 7HY on Tuesday, 24th April at 12 noon. Copies of the report and accounts may be obtained from the Company at Bucklersbury House, 11 Walbrook, London EC4N 8EQ.

## John Lewis

SALES in the John Lewis Partnership department stores last week, nearly £7m, were 24.8 per cent up on the corresponding week last year.

Sales in Waitrose, the partnership's food group, were just under £5m, an increase of 24.7 per cent on that week last year.

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

Negotiable Floating Rate U.S. Dollar Certificates of Deposit Maturity Date 18th November 1980

In accordance with the provisions of the Certificate of Deposit notice is hereby given that for the six month interest period from 18th April 1979, a rate of 11.75% will be applied. The Certificate will carry an interest rate of 11.75% per annum.

Agent Bank Manufacturers Hanover Limited.

SIMCO MONEY FUNDS

Management Co. Ltd. 65 CANAL STREET, LONDON EC2A 4DU Telephone 01-553 0125

Mon.	Tue.	Wed.	Thurs.	Fri./Sun.
11.630	11.581	11.768	11.679	11.679
11.630	11.581	11.768	11.679	11.679

**Banca Commerciale Italiana Holding**  
Società Anonima  
(Incorporated in Luxembourg)

**U.S. \$60,000,000 Guaranteed Floating Rate Notes 1981**

For the six months April 17th, 1979 to October 17th, 1979 the Notes will carry an interest rate of 11 1/2 per cent, par annum

Principal Paying Agent: European-American Bank & Trust Company, 10 Hanover Square, New York, NY 10005, USA.  
By: Morgan Guaranty Trust Company of New York, London Agent Bank

**Österreichische Kontrollbank**  
Aktiengesellschaft

**U.S. \$60,000,000 Guaranteed Floating Rate Notes 1989**  
Extendible at the Noteholder's option to 1993

Notice is hereby given pursuant to Condition 3 of the Terms and Conditions of the above-mentioned Notes that the Rate of Interest (as therein defined) for the Interest Period (as therein defined) from 18th April, 1979 to 18th October, 1979 is at the annual rate of 11 1/2 per cent. The U.S. Dollar amount to which the holders of Coupon No. 2 will be entitled on duly presenting the same for payment on 18th October, 1979 will be U.S. \$68.14, subject to appropriate adjustment (where (or the making of other appropriate arrangements of whatever nature) which may make, without further notice, in the event of an extension or shortening of the above-mentioned Interest Period.

EUROPEAN BANKING COMPANY LIMITED (Agent Bank)  
17th April, 1979

To the holders of:  
**INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN**  
Floating Rate Notes due 1984

In accordance with the provisions of the above notes Merrill Lynch International Bank Limited, as Fiscal Agent, has determined that, for coupon No. 5, the rate of interest for the next period, payable on the 15th October, 1979, has been fixed at eleven and nine sixteenths per cent (11 9/16) per annum.

Merrill Lynch International Bank Limited  
Agent Bank

**SCOTTISH PROVIDENT**

The 141st ANNUAL GENERAL MEETING of MEMBERS of THE SCOTTISH PROVIDENT INSTITUTION will be held on TUESDAY 15th May, 1979 at 12 noon in the HEAD OFFICE, 6 ST. ANDREW SQUARE, EDINBURGH EH2 2YA

Copies of the Report and Accounts are available from this address.

J. M. MACHARG  
General Manager and Actuary

6 St. Andrew Square, Edinburgh EH2 2YA, 17th April, 1979.



## CAB Judge recommends Continental-Western plan

WASHINGTON Mr. Stephen

act on his recommendation immediately and then, since international flights are involved, will send its decision to President Carter for final approval.

The favourable judgment on this merger will heighten the excitement with which the airline industry, and of course Wall Street, awaits a CAB ruling on the struggle for control of National Airlines, which has agreed to a bid from Pan American Airlines but faces rival moves from Eastern Airlines and from Texas International Airlines.

Agencies

## Decision by Brascan directors

**TORONTO** — In a letter to

Mr. Moore said that the directors believe that "if Brascan shareholders had been able to consider the material available to the board of directors, they would appreciate that the (Woolworth) decision is in their best interests and based on solid, not 'smelling

## Talks on Asbestos Corp. held with Quebec officials

BY ROBERT GIBBENS IN MONTREAL

## Hercules sees higher earnings

HOUSTON — Hercules, the chemicals and plastics group, expects operating earnings in the first quarter of at least double those of the 1978 quarter, with the second quarter even better than the first, the president Mr. A. F. Giacco told analysts.

First quarter net will be somewhat less than double, because of anticipated write-offs, but will still be higher than a year ago.

Operating and net income of \$18.2mm and operating earnings of \$26.9m in the first quarter of last year, it plans to announce earnings for the quarter tomorrow.

## PENDING DIVIDENDS RECENT ISSUES

**GOLD**

\_\_\_\_\_

[illegible]

## OTHER MARKETS

Apr. 12	¢	
Argentina Peso	2449.2450	1175
Australian Dollar	1.8785-1.8825	9.9020-9.9060
Brazil Cruzeiro	47.19-47.19	82.65
Philippine Mark	8.351-8.354	5.9895
Indonesian Rupiah	75.556-78.723	35.98
Hong Kong Dollar	10.7830-10.8080	50.00
Indian Rupee	149.85-155.05	60
Kuwait Dinar	0.572-0.588	0.7270
Luxembourg Fr.	55.10-55.50	90.10
Malaysia Dollar	10.65-10.68	80.15
New Zealand Dr.	1.9785-1.9845	5.8000
Saudi Arab. Riyal	6.99-7.99	3.8800
Singapore Dollar	4.5890-4.6000	2.5900
Sw. African Rand	1.7625-1.7875	0.8470

Rate quoted for April 12, 1984

## THE POUND SPOT AND FORWARD

April 12	Days' spread	Close	C
U.S.	2,078-2,080	2,080-2,081	0
France	2,382-2,386	2,382-2,384 <sup>1</sup>	4
Netherlands	4,27-4,30	4,27-4,28	4
Belgium	48-42-92	48-42-92	75
Germany	1,030-1,034	1,030-1,030 <sup>1</sup>	200
Ireland	1,032-1,036	1,032-1,033	0
N. Ger.	3-94-98	3-94-94	2
Spain	142-00-147-85	142-00-142-00	20
Italy	142-00-142-40	142-00-142-00	20
Sweden	1,751-1,760	1,752-1,758	4
Norway	10-67-10-73	10-67-10-69	3
Denmark	5,12-5-17	5,12-5-17	3
Sweden	5,12-5-17	5,12-5-14	3
Japan	444-50	447-448 <sup>1</sup>	4
Australia	23-25-29-10	23-25-29-07	20
Switz.	4,401-4,407	4,397-4,394	4

Belgium rate is for convertible  
Six-month forward dollar 0.82

deposit; one month 10.45-10.55 per cent; three months 10.55-10.65 per cent; six months 10.65-10.75 per cent; one year 10.75-10.85 per cent; two years 10.85-10.95 per cent; three years 10.95-11.05 per cent; four years 11.05-11.15 per cent; five years 11.15-11.25 per cent; six years 11.25-11.35 per cent; seven years 11.35-11.45 per cent; eight years 11.45-11.55 per cent; nine years 11.55-11.65 per cent; ten years 11.65-11.75 per cent; eleven years 11.75-11.85 per cent; twelve years 11.85-11.95 per cent; thirteen years 11.95-12.05 per cent; fourteen years 12.05-12.15 per cent; fifteen years 12.15-12.25 per cent; sixteen years 12.25-12.35 per cent; seventeen years 12.35-12.45 per cent; eighteen years 12.45-12.55 per cent; nineteen years 12.55-12.65 per cent; twenty years 12.65-12.75 per cent; twenty-one years 12.75-12.85 per cent; twenty-two years 12.85-12.95 per cent; twenty-three years 12.95-13.05 per cent; twenty-four years 13.05-13.15 per cent; twenty-five years 13.15-13.25 per cent; twenty-six years 13.25-13.35 per cent; twenty-seven years 13.35-13.45 per cent; twenty-eight years 13.45-13.55 per cent; twenty-nine years 13.55-13.65 per cent; thirty years 13.65-13.75 per cent; thirty-one years 13.75-13.85 per cent; thirty-two years 13.85-13.95 per cent; thirty-three years 13.95-14.05 per cent; thirty-four years 14.05-14.15 per cent; thirty-five years 14.15-14.25 per cent; thirty-six years 14.25-14.35 per cent; thirty-seven years 14.35-14.45 per cent; thirty-eight years 14.45-14.55 per cent; thirty-nine years 14.55-14.65 per cent; forty years 14.65-14.75 per cent; forty-one years 14.75-14.85 per cent; forty-two years 14.85-14.95 per cent; forty-three years 14.95-15.05 per cent; forty-four years 15.05-15.15 per cent; forty-five years 15.15-15.25 per cent; forty-six years 15.25-15.35 per cent; forty-seven years 15.35-15.45 per cent; forty-eight years 15.45-15.55 per cent; forty-nine years 15.55-15.65 per cent; fifty years 15.65-15.75 per cent; fifty-one years 15.75-15.85 per cent; fifty-two years 15.85-15.95 per cent; fifty-three years 15.95-16.05 per cent; fifty-four years 16.05-16.15 per cent; fifty-five years 16.15-16.25 per cent; fifty-six years 16.25-16.35 per cent; fifty-seven years 16.35-16.45 per cent; fifty-eight years 16.45-16.55 per cent; fifty-nine years 16.55-16.65 per cent; sixty years 16.65-16.75 per cent; sixty-one years 16.75-16.85 per cent; sixty-two years 16.85-16.95 per cent; sixty-three years 16.95-17.05 per cent; sixty-four years 17.05-17.15 per cent; sixty-five years 17.15-17.25 per cent; sixty-six years 17.25-17.35 per cent; sixty-seven years 17.35-17.45 per cent; sixty-eight years 17.45-17.55 per cent; sixty-nine years 17.55-17.65 per cent; seventy years 17.65-17.75 per cent; seventy-one years 17.75-17.85 per cent; seventy-two years 17.85-17.95 per cent; seventy-three years 17.95-18.05 per cent; seventy-four years 18.05-18.15 per cent; seventy-five years 18.15-18.25 per cent; seventy-six years 18.25-18.35 per cent; seventy-seven years 18.35-18.45 per cent; seventy-eight years 18.45-18.55 per cent; seventy-nine years 18.55-18.65 per cent; eighty years 18.65-18.75 per cent; eighty-one years 18.75-18.85 per cent; eighty-two years 18.85-18.95 per cent; eighty-three years 18.95-19.05 per cent; eighty-four years 19.05-19.15 per cent; eighty-five years 19.15-19.25 per cent; eighty-six years 19.25-19.35 per cent; eighty-seven years 19.35-19.45 per cent; eighty-eight years 19.45-19.55 per cent; eighty-nine years 19.55-19.65 per cent; ninety years 19.65-19.75 per cent; ninety-one years 19.75-19.85 per cent; ninety-two years 19.85-19.95 per cent; ninety-three years 19.95-20.05 per cent; ninety-four years 20.05-20.15 per cent; ninety-five years 20.15-20.25 per cent; ninety-six years 20.25-20.35 per cent; ninety-seven years 20.35-20.45 per cent; ninety-eight years 20.45-20.55 per cent; ninety-nine years 20.55-20.65 per cent; one hundred years 20.65-20.75 per cent; one hundred and one years 20.75-20.85 per cent; one hundred and two years 20.85-20.95 per cent; one hundred and three years 20.95-21.05 per cent; one hundred and four years 21.05-21.15 per cent; one hundred and five years 21.15-21.25 per cent; one hundred and six years 21.25-21.35 per cent; one hundred and seven years 21.35-21.45 per cent; one hundred and eight years 21.45-21.55 per cent; one hundred and nine years 21.55-21.65 per cent; one hundred and ten years 21.65-21.75 per cent; one hundred and eleven years 21.75-21.85 per cent; one hundred and twelve years 21.85-21.95 per cent; one hundred and thirteen years 21.95-22.05 per cent; one hundred and fourteen years 22.05-22.15 per cent; one hundred and fifteen years 22.15-22.25 per cent; one hundred and sixteen years 22.25-22.35 per cent; one hundred and seventeen years 22.35-22.45 per cent; one hundred and eighteen years 22.45-22.55 per cent; one hundred and nineteen years 22.55-22.65 per cent; one hundred and twenty years 22.65-22.75 per cent; one hundred and twenty-one years 22.75-22.85 per cent; one hundred and twenty-two years 22.85-22.95 per cent; one hundred and twenty-three years 22.95-23.05 per cent; one hundred and twenty-four years 23.05-23.15 per cent; one hundred and twenty-five years 23.15-23.25 per cent; one hundred and twenty-six years 23.25-23.35 per cent; one hundred and twenty-seven years 23.35-23.45 per cent; one hundred and twenty-eight years 23.45-23.55 per cent; one hundred and twenty-nine years 23.55-23.65 per cent; one hundred and thirty years 23.65-23.75 per cent; one hundred and thirty-one years 23.75-23.85 per cent; one hundred and thirty-two years 23.85-23.95 per cent; one hundred and thirty-three years 23.95-24.05 per cent; one hundred and thirty-four years 24.05-24.15 per cent; one hundred and thirty-five years 24.15-24.25 per cent; one hundred and thirty-six years 24.25-24.35 per cent; one hundred and thirty-seven years 24.35-24.45 per cent; one hundred and thirty-eight years 24.45-24.55 per cent; one hundred and thirty-nine years 24.55-24.65 per cent; one hundred and forty years 24.65-24.75 per cent; one hundred and forty-one years 24.75-24.85 per cent; one hundred and forty-two years 24.85-24.95 per cent; one hundred and forty-three years 24.95-25.05 per cent; one hundred and forty-four years 25.05-25.15 per cent; one hundred and forty-five years 25.15-25.25 per cent; one hundred and forty-six years 25.25-25.35 per cent; one hundred and forty-seven years 25.35-25.45 per cent; one hundred and forty-eight years 25.45-25.55 per cent; one hundred and forty-nine years 25.55-25.65 per cent; one hundred and fifty years 25.65-25.75 per cent; one hundred and fifty-one years 25.75-25.85 per cent; one hundred and fifty-two years 25.85-25.95 per cent; one hundred and fifty-three years 25.95-26.05 per cent; one hundred and fifty-four years 26.05-26.15 per cent; one hundred and fifty-five years 26.15-26.25 per cent; one hundred and fifty-six years 26.25-26.35 per cent; one hundred and fifty-seven years 26.35-26.45 per cent; one hundred and fifty-eight years 26.45-26.55 per cent; one hundred and fifty-nine years 26.55-26.65 per cent; one hundred and sixty years 26.65-26.75 per cent; one hundred and sixty-one years 26.75-26.85 per cent; one hundred and sixty-two years 26.85-26.95 per cent; one hundred and sixty-three years 26.95-27.05 per cent; one hundred and sixty-four years 27.05-27.15 per cent; one hundred and sixty-five years 27.15-27.25 per cent; one hundred and sixty-six years 27.25-27.35 per cent; one hundred and sixty-seven years 27.35-27.45 per cent; one hundred and sixty-eight years 27.45-27.55 per cent; one hundred and sixty-nine years 27.55-27.65 per cent; one hundred and seventy years 27.65-27.75 per cent; one hundred and seventy-one years 27.75-27.85 per cent; one hundred and seventy-two years 27.85-27.95 per cent; one hundred and seventy-three years 27.95-28.05 per cent; one hundred and seventy-four years 28.05-28.15 per cent; one hundred and seventy-five years 28.15-28.25 per cent; one hundred and seventy-six years 28.25-28.35 per cent; one hundred and seventy-seven years 28.35-28.45 per cent; one hundred and seventy-eight years 28.45-28.55 per cent; one hundred and seventy-nine years 28.55-28.65 per cent; one hundred and eighty years 28.65-28.75 per cent; one hundred and eighty-one years 28.75-28.85 per cent; one hundred and eighty-two years 28.85-28.95 per cent; one hundred and eighty-three years 28.95-29.05 per cent; one hundred and eighty-four years 29.05-29.15 per cent; one hundred and eighty-five years 29.15-29.25 per cent; one hundred and eighty-six years 29.25-29.35 per cent; one hundred and eighty-seven years 29.35-29.45 per cent; one hundred and eighty-eight years 29.45-29.55 per cent; one hundred and eighty-nine years 29.55-29.65 per cent; one hundred and ninety years 29.65-29.75 per cent; one hundred and ninety-one years 29.75-29.85 per cent; one hundred and ninety-two years 29.85-29.95 per cent; one hundred and ninety-three years 29.95-30.05 per cent; one hundred and ninety-four years 30.05-30.15 per cent; one hundred and ninety-five years 30.15-30.25 per cent; one hundred and ninety-six years 30.25-30.35 per cent; one hundred and ninety-seven years 30.35-30.45 per cent; one hundred and ninety-eight years 30.45-30.55 per cent; one hundred and ninety-nine years 30.55-30.65 per cent; two hundred years 30.65-30.75 per cent; two hundred and one years 30.75-30.85 per cent; two hundred and two years 30.85-30.95 per cent; two hundred and three years 30.95-31.05 per cent; two hundred and four years 31.05-31.15 per cent; two hundred and five years 31.15-31.25 per cent; two hundred and six years 31.25-31.35 per cent; two hundred and seven years 31.35-31.45 per cent; two hundred and eight years 31.45-31.55 per cent; two hundred and nine years 31.55-31.65 per cent; two hundred and ten years 31.65-31.75 per

[West German]

Franc	Mark	French Franc	Italian Lira
50	5.51g	7.71g	
70	8.51g	7.71g	1
100	51g-52g	74g-75g	1
200	51g-52g	74g-81g	2
1000	54g-51g	81g-82g	1
2000	51g-55g	9.91g	1

## 10% per cent; four years 10% - 10% per cent.

ollara; two-day call for guilders and Swiss

Discount market deposit	Treasury Bills %	Eligible Bank Bills %	Fine Trade Bills %
3-12	—	—	—
—	—	—	—
11 $\frac{1}{2}$ -11 $\frac{3}{4}$	—	—	—
11 $\frac{1}{2}$	11 $\frac{1}{2}$ -11 $\frac{3}{4}$	11 $\frac{1}{2}$	12 $\frac{1}{4}$
11 $\frac{3}{4}$	11 $\frac{3}{4}$ -11 $\frac{1}{2}$	11 $\frac{1}{2}$ -11 $\frac{3}{4}$	12 $\frac{1}{2}$
11 $\frac{1}{4}$	11 $\frac{1}{4}$	10 $\frac{1}{2}$ -11 $\frac{1}{4}$	12
—	—	10 $\frac{1}{2}$ -10 $\frac{3}{4}$	11 $\frac{3}{4}$
—	—	—	—
—	—	—	—
—	—	—	—

10. <http://www.who.int>

NEW YORK	
Prime Rate .....	11.5-11.75
Fed Funds .....	10.0625
Treasury Bills (13-week) ...	9.76
Treasury Bills (26-week) ...	9.66
GERMANY	
Discount Rate .....	4
Overnight Rate .....	5.325
One month .....	5.40
Three months .....	5.525
Six months .....	5.75
FRANCE	

### BASE LENDING RATES

BASE LENDING RATES					
A.B.N. Bank	12	%	■ Hill Samuel	12	%
Alfred Irish Banks Ltd.	12	%	C. Moore & Co.	12	%
Amro Bank	12	%	John S. Lodge	12	%
American Express Bank	12	%	■ Hongkong & Shanghai	12	%
A P Bank Ltd.	12	%	Industrial Bk. of Scot.	12	%
Henry Ansbacher	12	%	Keyser Ullmann	12	%
Associates Cap. Corp.	14	%	■ Knowlesy & Co. Ltd.	13	%
Banco de Bilbao	12	%	Lloyds Bank	12	%
Bank of Credit & Cmce.	12	%	London Mercantile	12	%
Bank of Cyprus	12	%	■ Manning & Co.	13	%
Bank of N.E.W.	12	%	Midland Bank	12	%
Banque Belge Ltd.	12	%	■ Samuel Montagu	12	%
Banque du Rhone et de la Tamise S.A.	12 1/2	%	■ Morgan Grenfell	12	%
Barclays Bank	12	%	National Westminster	12	%
Brennar Holdings Ltd.	13	%	Norwich General Trust	12	%
Brit. Bk. of Mid. East	13	%	P. S. Refson & Co.	12	%
■ Brown Ship	12	%	Rossminster	12	%
Canada Perm't Trust.	12	%	Royal Bk. Canada Tst.	12	%
Cayzer Ltd.	12	%	■ Schlesinger	12	%
Cedar Holdings	12	%	E. S. Schwab	12	%
■ Charterhouse Japhet	12 1/2	%	Security Trust Co. Ltd.	13	%
Choulatours	12	%	Shenley Trust	13	%
C. E. Coates	12	%	Standard Chartered	12	%
Consolidated Credits	13	%	Trade Dev. Bank	12	%
Co-operative Bank	12	%	Trustee Savings Bank	12	%
Credit Lyonnais	12	%	Twentieth Century Bk.	13	%
The Cyprus Popular Bk.	12	%	United Bank of Kuwait	12	%
Duncan Laurie	12	%	Whiteaway Laidlaw	12 1/2	%
Eagil Trust	12	%	Williams & Glyn's	12	%
English Transac.	12 1/2	%	Yorkshire Bank	12	%

### Public Works Loan Board rates

		Effective from April 7		Non-quota loans A* repaid at	
Years		Quota loans repaid at			
		by EIP†	At maturity‡	by EIP†	At maturity‡
Up to 5 .....		10½	10½	11½	11½
Over 5, up to 10 .....		10½	10½	11½	11½
Over 10, up to 15 .....		11½	11½	12½	12½
Over 15, up to 25 .....		11½	11½	12½	12½
Over 25 .....		11½	11½	12½	12½

\* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Income Fixed Interest Portfolio .....	104.90
---------------------------------------	--------

I.G. Index Limited 01-351 3466. 3 months Copper 1030.5-1039.5  
29 Lamont Road, London, SW10 0HS.

1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.







BY JOHN EVANS

# U.S. rates resume upward march

THE SPECTRE of high U.S. interest rates again stalked the Eurodollar bond market last week, casting a shadow over the buoyant trading conditions enjoyed in the last couple of months.

Seasoned issues displayed no losses ranging to 1 point, wiping out part of the broad advance earlier in April.

The view is gaining ground in Europe that short-term U.S. rates, amid signs that the American economy is overheating, are due for another push upwards before peaking out.

Attention is centring on this week's meeting of the Federal Reserve's open market committee, which could decide on a fresh monetary restraint. Eurodollar rates are already discounting a  $\frac{1}{4}$  to  $\frac{1}{2}$  point rise in the Fed's funds rate, after they nudged up to the 11 per cent mark last week.

Another major source of con-

cern is the size of the new issue calendar currently building up. Several dollar notations are waiting in the wings for launching now that the long Easter weekend is over.

Bond analysts believe that, with signs of vulnerability in the dollar sector, a flood of new issues could provoke a major downward break in prices.

The market is well supplied with new paper. Intel Finance International is offering \$40m of 10 $\frac{1}{2}$  per cent 14-year bonds. Nova Scotia Power Corporation has scheduled \$50m of 8 $\frac{1}{2}$  per cent 10-year paper. \$75m of 10 per cent 20-year bonds is coming from Hydro-Quebec, and ITC Antilles NV is scheduling \$75m of 9 $\frac{1}{4}$  per cent 10-year bonds.

Not all investors, however, were discouraged by interest rate movements. Quality issues were being quickly absorbed in secondary trading last week, when yields approached the 8.75 per cent area.

Analysts argue that even if the Fed decides on some tightening in monetary policy, the yield structure for quality bonds need not necessarily have to move up to the 10 per cent level again.

In fact, the international bond markets are providing little alternative for investors at the moment.

In the "hard currency" sectors, both the foreign Deutsche Mark and Swiss franc markets were weaker again. The DM 100m offering from Credit National was issued at 99 $\frac{1}{2}$  but fell to 98.90-97.40 in secondary trading.

The 10-year bullet issue for Barclays Bank International appeared to be received fairly well. The UK bank is under- stood to have pressed for the 6 $\frac{1}{2}$  per cent coupon on its issue, rather than the 7 per cent usually required for 10 year paper, on the grounds of the rarity value of its name.

In Swiss francs, a significant amount of the 11-year issue for

Pfandbriefstelle Hypo-Bank, which fell to a four-point secondary discount, is believed to have been left with the underwriters.

Many bankers doubt whether the big three Swiss banks will lift the freeze on new straight issues until early May, at the soonest.

Eurosterling issues generally remained in demand, with the recent £50m GEC offering moving as high as 104.

Among the new issues being scheduled are:

- £350m of five-year Euronotes from First Canadian Investments Limited, a Bank of Montreal subsidiary. The notes, with an indicated coupon of 10 per cent, are conditionally guaranteed by the Bank of Montreal on the basis of equal ranking with the depository obligations of the bank. Lead manager is Union Bank of Switzerland (Securities).
- \$100m of 10-year bonds for the Kingdom of Sweden. This

"Tokyo Eurodollar" issue will be based on a \$65m offering in Japan by a group led by Nomura Securities, and \$35m in Europe via S. G. Warburg and Nomura. Terms will be fixed this week.

• \$75m of 10-year bonds for the European Investment Bank. A management group for this issue, led by Kuwait Foreign Trading and Contracting, is virtually in place, although the final coupon has yet to be decided.

• FFR 130m for St. Gobain-Pont-a-Mousson. This latest Eurofranc offering carries a bullet maturity of seven years and an indicated 9 $\frac{1}{2}$  per cent coupon. Lead manager is Banque Nationale de Paris.

• KD12m for Norges Kommunalbank. Kuwait Investment Company is bringing a further prime Scandinavian borrower to the Kuwaiti market, on the basis of an issue dated 1988 (average life 7 $\frac{1}{2}$  years) and an indicated coupon of 7 $\frac{1}{2}$  per cent.

## CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
<b>U.S. DOLLARS</b>							
Blanco di Roma	50	1987/91	—	6 $\frac{1}{2}$	100	Crédit Lyonnais & others	4.09%
Sweden	200	1986	7	9 $\frac{1}{2}$	99 $\frac{1}{2}$	Salomon Bros	9.86
Comalco	40	1991	9.28	10 $\frac{1}{2}$	100	Morgan Stanley Inc.	10.25
Itel	40	1992	9.5	10 $\frac{1}{2}$	99	Kidder Peabody, CSFB	10.64
Nova Scotia Power	50	1989	7.75	9 $\frac{1}{2}$	—	McLeod, Young, Weir Int.	—
Hydro Quebec (g'teed Prov. Quebec)	75	1999	1	10	—	Crédit Suisse First Boston	—
ITT	75	1989	8.9	9 $\frac{1}{2}$	100	Swiss Bank Corp. (Luxem.)	9.5
<b>D-MARKS</b>							
St. Gobain	50	1984	—	5	100	Deutsche Bank	5.04
IECS	150	1991	9.53	7	100	Dresdner Bank	7.0
Mitsubishi Chemical	70	1984	5	6 $\frac{1}{2}$	99 $\frac{1}{2}$	Deutsche Bank	6.82
Barclays Bank Int.	100	1989	10	6 $\frac{1}{2}$	99 $\frac{1}{2}$	Dresdner Bank	—
<b>SWISS FRANCS</b>							
St. Gobain	30	1984	n.a.	3 $\frac{1}{2}$	100	Paribas (Suisse)	3.5
Tokyo Hotel Chain	30	1984	n.a.	3 $\frac{1}{2}$	100	Swiss Volksbank	3.875
Mitsubishi Electric	60	1984	n.a.	3 $\frac{1}{2}$	100	UBS	3.79
<b>CANADIAN DOLLARS</b>							
Royal Bank of Canada	40	1986	7	10	100 $\frac{1}{2}$	Orion, RBC Trust	9.90
Royal Bank of Canada	40	1994	12.9	10	100	Orion, RBC Trust	10.0
First Canadian Inv. (g'teed Bk of Montreal)	50	1984	5	10	—	UBS (Securities)	—
<b>FRENCH FRANCS</b>							
St. Gobain-Pont-a-Mousson	130	1986	7	9 $\frac{1}{2}$	—	BNP	—
<b>KUWAITI DINARS</b>							
Norges Komm. (g'teed Norway)	12	1989	7 $\frac{1}{2}$	7 $\frac{1}{2}$	—	KIC	—
<b>SPECIAL DRAWING RIGHTS</b>							
Finland	50	1984	5	8 $\frac{1}{2}$	99 $\frac{1}{2}$	Crédit Suisse First Boston	9.88
<b>BELGIAN FRANCS</b>							
Solvay	1.5bn	1987	8	8 $\frac{1}{2}$	99 $\frac{1}{2}$	Soc. Gen. de Banque	8.84

\* Not yet priced. † Final terms. \*\* Placement. † Floating rate note. ‡ Registered with U.S. Securities and Exchange Commission. § Minimum. ¶ Convertible. † Purchase fund. Note: Yields are calculated on a 360-day basis.

## INTERNATIONAL FINANCE

# Shadows over performance guarantees

COMPETITIVE conditions in the Eurocurrency lending market make this a time when international banks are particularly stressing the fee-earning side of their business. So it is an irony that while events in Iran have not had much upward impact on loan spreads, they should have cast a shadow over a popular source of fees—the guarantee business.

Guarantees are the cement that binds the contractor and the customer together in many international export contracts. They are equivalent to a letter of credit made out in favour of the buyer by a bank on behalf of the contractor. If the customer chooses to claim payment, the bank must pay and turn to the contractor for reimbursement. It is particularly the development of the Middle East which has turned such guarantees into a multi-billion dollar market.

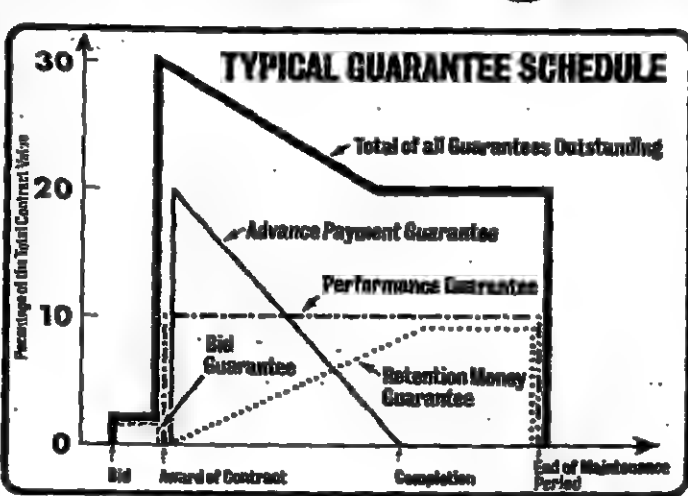
International contracting throws up four basic types of guarantees, as the diagram shows. The "bid guarantee" perhaps 3 per cent of contract value—assures the customer that the bidder is in earnest. If the contractor gets the business, the bid guarantee will be replaced by the "performance

guarantee"—sometimes rather loosely called the performance bond of 5-10 per cent of the value of the contract. The customer holds this until the project is completed to his satisfaction.

There may also be an "advance payment guarantee", the customer makes an advance payment to the contractor, but holds a letter of credit for this amount allowing him to get his money back should the contractor fail to satisfy. This will often be paid off gradually by the customer deducting a proportion of his payments while the guarantee is reduced as well. Finally, the customer can insist on a gradually increasing "retention money guarantee," as he makes payments, to reinforce the performance bond.

In issuing a guarantee, a bank is acting, at first sight, only as a conduit for money and not as an insurance company. There are really three risks the bank must consider: (a) how likely is a claim? (b) how credit-worthy is the contractor? (c) how likely is a dispute over payment?

Events in Iran have put a spotlight on the possibility not



only that guarantees might be called, but also that a bank could find itself in the middle of a legal argument as to whether it should honour a guarantee or not.

The initial fear prompted by the Iranian revolution was that the new regime would claim guarantees capriciously. So far, this has not happened, and Mr. Jim Nelson, of Bank of America, argues that it is much more likely that disputes, leading to

Nevertheless, the development was a reminder to banks that more than the qualities of the contractor are at stake when they issue guarantees. Every aspect of the potential claim for payment must be very carefully defined as well.

## French franc FRN issues by Citibank

CITIBANK SA, a French merchant banking unit of the major New York banking group, has announced the issue of FFR 350m of floating rate notes.

The borrowers, all guaranteed by Citibank, are Sociétés de Crédit pour l'Acquisition de l'Amélioration des Immeubles, Citicorp Credit Multiple and Citibank SA itself.

The 10-year notes, with a minimum coupon of 7 $\frac{1}{2}$  per cent, will carry a 3 per cent margin over the monthly average of the daily interbank money market rate in Paris.

## U.S. BONDS

BY JOHN WYLES

# All eyes on the Fed

BOND PRICES fell sharply across a broad front in New York last week as investors gave credence to widespread reports of Administration pressure on the Federal Reserve Board to tighten monetary policy. The focus of all attention is today's meeting of the Fed's open market committee, which will decide whether or not to raise the target for the Fed Funds rate in the coming month.

This rate on overnight funds lent between banks has been lodged at 10 per cent since mid-December, a fact which has undoubtedly contributed to the strength of the fixed income markets this year. The case for boosting it is based on the view that the economy is rapidly overheating, and threatening to exacerbate an inflation rate which is already unacceptably high. The indications are that this is the predominant opinion.

within the U.S. Treasury, and it is publicly supported by such private economists as Dr. Henry Kaufman of Salomon Brothers and Mr. Alan Lerner of Bankers Trust.

But so muddy are the economic waters that the contrary view seems at the moment to be just as credible. Dr. William Griggs and Dr. Leonard Santow, J. Henry Schroder Bank and Trust Company's economists, claim for example that the economy is obviously slowing from last year's fourth quarter, that there is little evidence pointing to a speculative build-up of inventories and that this dovish advice to the Fed is altogether puzzling.

The common ground in this dispute among private economists is the view that the market has already discounted an  $\frac{1}{4}$  to  $\frac{1}{2}$  per cent increase in the funds rate. But Dr. 9.70 per cent.

Kaufman goes on to argue that the next monetary policy tightening move should begin with an at least 50 basis points increase in the funds rate and be followed by subsequent increases if the momentum of inflation is to be broken through monetary policy.

Although everything in the Fed's conduct over the past 16 months suggests that it will be too cautious to satisfy Dr. Kaufman, dealers last week cut back on inventories and prepared for the Fed to do its worst. As a result, medium and long term corporates fell in price by between  $\frac{1}{4}$  and  $\frac{1}{2}$  medium term Treasury by 11-12 basis points (hundredths of a percentage point) and long term Treasury by more than 20 basis points. Short rates also climbed, with a three-month Treasury bill yielding

## FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR									
Issued	Bid	Offer	Change	Day	Week	Yield			
<b>STRAIGHTS</b>									
Bevco Int. L. 7 $\frac{1}{2}$ 84	200	200	0	0	0	9.72			
CECA 8 $\frac{1}{2}$ 84	150	150	0	0	0	9.78			
Canada 8 $\frac{1}{2}$ 84	400	400	0	0	0	9.82			
Canada 9 $\frac{1}{2}$ 84	350	350	0	0	0	9.84			
Deutsche 8 $\frac{1}{2}$ 84	275	275	0	0	0	9.84			
Elit 8 $\frac{1}{2}$ 84	125	125	0	0	0	9.82			
Elit 9 $\frac{1}{2}$ 84	150	150	0	0	0	9.82			
Elit 10 $\frac{1}{2}$ 84	150	150	0	0	0	9.82			
Export Dev. Cdn. 8 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Export Dev. Cdn. 9 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Export Dev. Cdn. 10 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Finland 8 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Finland 9 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Finland 10 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
GTE Int. Fin. 8 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
GTE Int. Fin. 9 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
GTE Int. Fin. 10 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Hudon Int. Fin. 8 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Hudon Int. Fin. 9 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Hudon Int. Fin. 10 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Int. Finance 8 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
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Int. Finance 10 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Int. Finance 8 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Int. Finance 9 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Int. Finance 10 $\frac{1}{2}$ 84	100	100	0	0	0	9.84			
Int. Finance 8 $\frac{1}{2}$ 84	100	100	0	0	0	9			



## OFFSHORE AND OVERSEAS FUNDS



# APPOINTMENTS

## Top changes at Jardine Insurance

Mr. Mark Dawson will become managing director of JARDINE MATHESON Underwriting Agencies and deputy chairman of Jardine Matheson Insurance Brokers (UK) on May 1. Mr. Martin Wakeley will join Jardine Matheson Insurance Brokers (UK) from Bland Payne (UK) and succeeds Mr. Mark Dawson as managing director today.

Mr. D. D. Dennis, senior vice-president and general manager for the UK and Ireland of the CANADA LIFE ASSURANCE COMPANY, will be retiring at the end of this month. He will remain on the Board of the company's British subsidiaries and become honorary vice-president.

Mr. Derrick J. Fillingham, previously operations director of STEWART AND SON OF DUNDEE, has been appointed managing director. Mr. John J. Blanche, formerly managing director, has been appointed chairman.

W. Greenwell and Co. stockbrokers, state that on May 16 Mr. J. Pymon will be retiring from the partnership and Mr. W. E. A. Bain, Mr. R. M. Harvey, Mr. R. B. Pomphrey and Mr. R. F. Woner will become partners.

Mr. George J. Yapp has become corporate vice president and managing director of QUAKER OATS in the UK. He succeeds Mr. Byron Felter who is returning to the U.S. to a senior appointment at the company's corporate headquarters in Chicago.

Mrs. Susan Price has been appointed company secretary of ASTUS PRICE OF ENGLAND. For some time she has been director of the company and company secretary of Price Marketing Associates, a separately constituted company. Mrs. Price is the wife of Chairman Mr. John Price. She succeeds Mr. Tom Rickinson, who steps down with Arthur Price now 52 years. Although resigning his official positions, Mr. Rickinson will continue to have a connection with the company as financial consultant.

Mr. Joe Morrison becomes managing director of HATTERSLEY NEWMAN HENDER, Ormskirk-based cast iron and bronze valve manufacturing subsidiary of Pegler-Hattersley. Mr. Morrison, a cost and management accountant, joined the company on April 2 after five years as managing director of Serek Audio Valves International.

AT PORTMAN BUILDING SOCIETY Lord Wakefield of Kendal has retired from the vice-chairmanship but remains a director. Sir Desmond Plummer has been appointed vice-chairman. Mr. Leslie M. Slot has retired from the Board and Mr. J. E. W. Heard has been appointed a director.

PLANTS AT WORK, growers and suppliers to offices and the trade of tropical and semi-tropical plants, has appointed Mr. Frank Corrie as marketing director. Mr. Graham Cotton, technical director, and Mr. H. E. Gunn, non-executive director.

Mr. Brian Titherleigh has been appointed senior vice-president.

## INSURANCE

### Risks to computers and peripherals

BY ERIC SHORT

COMPUTERS are an integral part of modern business life, giving a new field of business to the engineering insurance companies which insure computers and associated risks. The insurers are still researching ways to meet the specialised needs of companies which use computers.

All computer manufacturers offer a comprehensive maintenance contract which gives considerable insurance cover. The manufacturer will replace all damaged material as a result of fire, flood, and breakdown.

Therefore, in most companies, unauthorised personnel are not allowed into the computer room and some will not allow eating or drinking. A cup of coffee spilt over the input keyboard could cause considerable damage.

But even with these precautions, negligence is not unknown and the main insurance cover offered is against breakdown as a result of negligence.

More important is the loss that occurs while the computer is idle. There is a need for adequate consequential loss cover. The effect of an interruption in business can result in a severe financial loss.

Advice

Insurance companies and brokers regard advice on how to minimise losses as part of their service. Risk management is now an integral part of insurance. The company can arrange backup facilities, give advice on fire-proof safes. Insurance companies insist that duplicates of all working tapes and discs are kept.

The mini computer has caused the insurance companies to redraft their contracts. Mini computers are situated in ordinary office space and are not housed on a separate floor and hermetically sealed off from the rest of the building. The risk of a breakdown is much greater, but the disruption caused is smaller.

The problem with a new field in insurance is that it takes time to build up a portfolio of risks on which the underwriter can base his rating. As fast as one generation of computers is come to terms with—another appears.

The insurance cover relates to more than the main computer unit. It also covers the vast array of peripheral equipment which is more likely to break down.

A new risk is now entering the computer field—misuse and fraud. In normal business insurance, fidelity guarantee against fraudulent acts of employees is covered under the standard accident insurance policy. But this was based primarily on clerks adding the petty cash. It is not geared to the massive frauds that can occur on a computer.

Such frauds are very difficult to discover unless the computer is monitored continuously, which is virtually impossible. Many companies do not appreciate how vulnerable they are to such frauds. They only find out the hard way.

Accidents are another problem. It is not unknown that, in spite of all precautions, a complete program can be wiped out. The insurance cover will pay for a new program.

There is also the question of responsibility to the consumer so professional indemnity cover is now part of the standard computer insurance contract.

The main problem which the industry is grappling with at present is fraud. The problems appear formidable, since the risk is open-ended. The first task is to warn employers of the risks so that they can take action to minimise fraud, mainly by vetting their computer staff.

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MINES—Continued

AUSTRALIAN

Reference, Full	Stock	Price	Last	1st	2nd	Cvt	174	175	176
Nov. Apr.	Alumina	11	135	143	015	1.0	6.9		
	BH South 50c	25	95	97 1/4					
Oct. May	Blackdown 50c	20	240	243	010 1/2	2.0	2.6		
	Central Pacific N.L.	27	27	27	01 1/2				
	Min. of Manganese	15	15	15	1/8				
	Haema Gold S.L.	10	10	10	1/8				
September	Metals Ex. 50c	218	218	218	010 1/2	2.0	3.4		
Dec. Apr.	Mt. Isa. 50c	218	218	218	010 1/2	1.7	2.4		
	Mount Lyell 25c	57	57	57					
Jan. Nov.	North B. 100c	120	120	120	010 1/2	1.3	4.3		
	Nth. Kalbarri	14	14	14					
	West. Mining	11	11	11	7/8	1.0	7.5		
Oct. Nov.	Pacific Gold	31	31	31	012 1/2				
	Pilbara N.L.	51	51	51					
	Porter 25c	675	675	675					
Apr. Dec.	Porter MEX 50c	219	219	219	015 1/2	3.3	2.6		
Oct. May	Western Pacific	150	150	150	013 1/2	0.7	1.1		
	Whim Creek 20c	130	130	130					

TINS

Nov. Apr.	Alum. Nigeria	29	26 1/2	28 1/2	2.01	3.3	12.4		
	Alum. Nigeria S.M.L.	29	26 1/2	28 1/2	2.01	3.3	12.4		
Oct. May	Berill 10c	86	112 1/2	4.0					
Jan. Feb.	Berill 50c	215	215	215	100 1/2	1.0	12.2		
	Gold & S.M. 12 1/2	32	32	32	1/2	2.0	2.2		
June Dec.	Gopara 50c	345	345	345	10 1/2	1.4	7.4		
	Ind. 50c	10	10	10	1/2	1.0	1.0		
Nov. Apr.	Ind. 25c	14	14	14	1/2	1.0	1.0		
Jan. Dec.	Killingham S.M.L.	335	335	335	11 1/2	0.7	9.5		
	West. Mining	345	345	345	11 1/2				
Mar. Sept.	Pengallan 10c	80	80	80	2 1/2	1.5	8.4		
Jan. Jan.	Pengallan 50c	22	22	22	1/2	1.0	1.0		
February	Porter 25c	25	25	25	010 1/2	2.0	2.0		
May	Porter 50c	11	11	11	1/2	1.0	1.0		
	Porter 25c	11	11	11	1/2	1.0	1.0		
	Porter 50c	11	11	11	1/2	1.0	1.0		
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	Porter 50c	11	11	11	1/2	1.0	1.0		
	Porter 25c	11	11	11	1/2	1.0	1.0		
	Porter 50c	11	11	11	1/2	1.0	1.0		
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	Porter 25c	11	11	11	1/2	1.0	1.0		
	Porter 50c	11	11	11	1/2	1.0	1.0		
	Porter 25c	11	11	11	1/2	1.0	1.0		
	Porter 50c	11	11	11	1/2	1.0	1.0		
	Porter 25c	11	11	11	1/2	1.0	1.0		
	Porter 50c	11	11	11	1/2	1.0			





Tuesday April 17 1979

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## Banks' figures in breach of law, say accountants

BY MICHAEL LAFERTY, BANKING CORRESPONDENT

THE ANNUAL ACCOUNTS of the big London and Scottish clearing banks are in breach of the requirements of company law, and have been for the past nine years, say a number of leading chartered accountants.

This view is effectively admitted by bank audit partners in some of the largest accounting firms.

The position has become clear only after extra disclosures about bad debt provisions in the latest accounts of the clearers.

It is certain to be a major factor in moves by the clearing banks expected shortly to make next year's accounts more comparable.

A call for better comparability in bank accounts has come recently from Sir Jeremy Morse, chairman of the Lloyds Bank, while Mr. Anthony Tuke, chairman of Barclays Bank, has said he would be willing to see more disclosure in bank accounts.

The alleged breach arises from the clearing banks' action of setting aside amounts described as "general provisions" in their accounts.

These are said by the banks to be necessary to cover potential bad debts not yet identified.

They are in addition to specific bad debt provisions made against advances whose recovery is doubtful.

Some City analysts suspect that the general provisions may be used by banks for smoothing profits from one year to the next.

### Seen as reserves

The banks are justified in making provisions only if the amounts set aside as a deduction from profit are in respect of liabilities or losses known to exist at the balance-sheet date. A number of bank auditors accept that the general provisions are significantly more than the provisions actually necessary in the clearers' accounts.

One audit partner describes the general provisions quite simply as reserves. This means that they ought not to be treated as a reduction in the amount of bank advances but as part of the banks' funds for shareholders.

Yearly bank profits ought not to include any charge for topping up the general provisions. The amounts of the clearers' general provisions are not known, despite a recommendation by the Price Commission last year that they be disclosed.

In the 1978 accounts. Instead the banks published the aggregate amount of both specific and general provisions.

In the case of Barclays Bank the total amount provided was £400m, against shareholders' funds of £1.3bn.

The other three big London clearers calculated the general provisions on a different basis to Barclays, setting aside proportionately only half as much on the grounds that should debts eventually prove bad, they would qualify for tax relief at 52 per cent.

Despite the fact that the clearers have not revealed the amounts of the general provisions, the disclosures in the recent batch of accounts highlighted a number of anomalies within the clearers.

Most outstanding are the two methods, one appearing to give a figure about twice the size of the other, used for calculating the level of the general provisions.

Barclays and Bank of Scotland set aside £100 for every £100 of potential bad debts they wish to provide for.

National Westminster, Lloyds and Midland provide only £45 for every £100. The disparity comes into sharp focus when it is realised that Barclays and Lloyds are both audited by Price Waterhouse, London.

The question of whether the general provisions are necessary at their present levels—or at all—came up when the banks discussed their latest result at Press briefings this year.

### 'Not necessary'

One senior banker described the amounts as "reserves which are not distributable," while another said that it had never been necessary to use the general provisions. "You always provide enough specifically."

Bank audit partners admit that they expect to see the amounts of the general provisions gradually reduced in the next few years to a level more realistic and in line with the experience of U.S. banks.

The general provisions were established in bank accounts in 1970, at the time when the banks voluntarily gave up their right to secret reserves. This legal privilege was withdrawn by statutory instrument on February 26, 1970.

Support for the view that the amounts are in reality reserves is to be found in the Price Commission's report.

## Teachers' action on pay demand

By Christian Tyler, Labour Editor

SCHOOLTEACHERS will be told to give up most duties outside the classroom from next week when the summer term begins, in protest at the failure of their pay negotiations.

The decision was taken by the annual conference of the biggest union, the National Union of Teachers, and is likely to be repeated by the conference of the National Association of Teachers—Union of Women Teachers this week.

The unions claim that the Government and the local authorities have abandoned a commitment to restore the value of a special pay award made by the Houghton Committee in 1974. This, they say, shows that teachers are due rises of up to 36.5 per cent.

Like other public service employees, the teachers have been offered 9 per cent and a reference to the Clegg Commission on pay comparability.

### Less generous

Although the "withdrawal of goodwill" is due to begin next Monday, further talks have been arranged for the following day. This gives the employers a last chance.

union leaders said at the weekend.

The 428,000 schoolteachers in England and Wales have been told that if they take the 9 per cent, back-dated to April 1, they will get the award of the standing commission on pay in two equal instalments, in 1980 and 1981. The staging of the offer is less generous than for other public employees.

Negotiations have been complicated by disagreements between the two biggest unions. The NAS-UWT has accused the NUT of betraying the profession by entertaining a reference to the Clegg Commission. The NAS wants the claim to go to arbitration.

The last talks broke up after 13 hours with the unions and employers unable to agree terms of reference for taking the claim to the commission.

If the action is supported next week, its main effects are likely to be that schools will shut during lunchtime, there will be no after-school activities, and in the larger comprehensive teachers may be late for classes, since they would decline to use their cars between buildings.

## Weather

UK TODAY  
NORTH-EAST: England and Scotland cloudy with occasional rain but the rest of Britain will be mainly dry with sunny periods.

London, Cent. S. England, Midlands, Channel Isles, S.W. England, S. Wales Dry, cloudy at times. Max. 17C (63F).

S.E. and E. England, East Anglia Mainly dry. Some showers near east coast. Max 16C (61F).

Cent. N. England, N.E. England Mainly dry but rather cloudy at times. Max 14C (57F).

I.O.M., Wales, N.W. England, Scotland, Orkney, Shetland Rather cloudy with occasional rain, becoming drier and brighter later. Max 11C (52F).

Outlook: Mainly dry with some sunshine in the south. Rather cloudy with a little rain in the north with some frost.

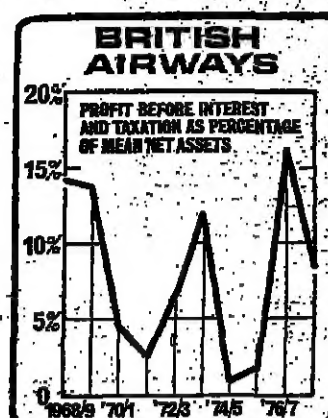
THE long-range forecast is changeable weather during the next 30 days but with some warm and sunny days. Temperatures average in south but below average elsewhere.

## WORLDWIDE

16	61	Luxemb.	15	59
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## THE LEX COLUMN

# Putting a price on British Airways



There is a strong belief in the City that part of the equity in British Airways will be sold to the private sector if the Conservatives win the coming election. In principle, it looks like a good idea; but there are some problems, too, which may explain the fact that the idea does not figure in the manifesto.

Several major European airlines—like Lufthansa, KLM and Swissair—already have a mixed public and private ownership. BA competes in an international market-place, so, selling its shares to the public would not create the kind of conflicts of interest that might arise if, for example, British Gas were to be partly-denationalised. Above all, BA already "operates" like an independent commercial enterprise.

Its stated objective is to generate enough cash to fund its replacement spending, pay a dividend on its public dividend capital and finance part of its expansion programme. Admittedly it has fallen short of this target in the past. But it has recently been shaking off the strings of Government. For instance, it now seems free to buy the kind of aircraft that it thinks make the best commercial sense, rather than those that the Government might prefer it to fly.

In historic cost terms, this translates into an annual average return of around 16 per cent—something which the group has only achieved once in the past ten years. Where is this substantial and sustained improvement in profitability going to come from?

BA's answer starts with the new fleet-which will be coming into service during the period. Bought solely for commercial reasons, it ought to be considerably more cost effective than some of the fuel-gulping machines which BA has flown in the past. In addition, there will be far fewer different aircraft types, and much higher output per aircraft. Although the airline is aiming for annual volume growth of 8 per cent, the size of its fleet is only expected to rise from 188 to 208 by 1984.

This should make an important contribution to the increase in productivity which BA must achieve if it is to make the necessary profits. The point is that revenue per seat will be falling in real terms over the period, as the proportion of full-fare passengers continues to decline. Unless BA can hold its staff numbers at around present levels, higher volume will not mean higher profitability.

Capital expenditure in the next five years could be nearly

## Stock market value

BA would be doing well to obtain a stock-market value of more than £300m for its entire equity. That could represent very roughly four times its earnings in 1976-79, but on the basis of average earnings in the past six years—three reasonable one poor, and two stupider—the multiple at that price would be in the low teens.

There is no doubt that if the airline does meet its financial targets, it would command a very much higher selling price in four or five years' time than it would do today. Instead of having to rely on a decidedly shaky profits record and a lot of promises, it would have a solid prospectus with which to tempt private investors. Of course it may be decided to sell shares to the public much sooner than that, in order to make what would undoubtedly be a very striking political gesture. But such a move could backfire in at least two awkward ways.

In the first place, the taxpayer might well feel unhappy about selling assets off to private interests at less than two-thirds of their written down cost. A much more embarrassing possibility is that BA falls short of its self-financing targets, maybe for no fault of its own. The airline business, after all, is very sensitive to levels of economic activity around the world. Given the size of BA's spending programme over the short term and the current shape of its balance-sheet, a government which sold BA today could just have to make some very difficult decisions within the space of five years. If things went wrong in that time, would the taxpayer have to subsidise the private investor or—horror—would the business be re-nationalised?

## Election halts £100m industrial aid

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

PLANS FOR the Department of Industry to launch a fresh tranche of selective industrial aid totalling between £100m and £150m for major investment projects have been frozen in Whitehall pending the outcome of the General Election.

The tranche, which was being vetted for approval by the Treasury when the election was declared, would have been used to roughly double the size of the existing £150m Selective Investment Scheme. It could have amounted to one of the biggest allocations ever made to a single aid scheme by the Department of Industry.

Judging by the way this scheme has operated since its introduction two years ago under the 1972 Industry Act, about half of the aid would have been spent in the next few years attracting major foreign capital investment projects into Britain.

The remainder would have been used to persuade UK companies to bring forward or enlarge their own projects.

Existing arrangements for applications to be made for aid under the present £150m scheme expire at the end of June. Because of this, the Government was planning to extend and enlarge the scheme.

A Conservative Government would therefore have to decide, soon after the election, whether to tone down its opposition to such aid schemes and approve at least a limited extension in order to give the Industry Department money needed to bid for internationally mobile investment projects.

During the past few years there has been increasing international competition, especially in Europe and the U.S., for attracting inward investment projects. One of the largest won by the UK so far is the £140m Hoffman La Roche vitamin C plant announced for Scotland last October.

That project is to receive £15m from the selective investment scheme, the largest amount so far agreed. Without

it, ordinary regional aid would not, in the opinion of the Industry Department, have been enough to stop the plant being built in another country.

Because of international competition, Conservative Party leaders now appear to accept that they would need to allocate aid in some form or other for inward investment, although they might try to work over a period of years towards an international agreement restricting the amount of aid that can be offered.

Conservative government would also have to make immediate decisions about the future of two or three major projects now being processed by the department for aid of up to £30m each, and about other aid applications in the pipeline.

A new Labour government would almost certainly approve the overall extension of the scheme with the extra £100m to £150m allocation. Its election manifesto last week said it would continue with the aid

scheme, and the last public spending White Paper, published in January, included a £300m allocation of general future "industrial support" for 1980 to 1983. Part of this allocation would have gone to the scheme.

So far £77m has been allocated to projects out of the £150m available. This covers 120 projects, with a total cost of £787m, expected to provide balance of payments benefits of £530m a year by 1982 and £700m a year by 1985.

Out of these, 20 internationally mobile projects, costing £344m, have been attracted into the UK with aid of £31m. In general, the alternative sites being considered by the companies concerned were in Europe and the U.S.

Applications now being studied by the Industry Department would take up the balance between the £77m so far allocated and the present total budget of £150m.

Continued from Page 1

## Thatcher

as Conservatives, but were held back by old loyalties and prejudices.

The other main burden of her attack was that underlining Labour's call for continuity was a "shameless appeal to voters to accept our national decline as inevitable and simply make the best of it—a summons to apathy, a clarion call for inertia and indolence."

In her view Labour's campaign slogan was "Carry on downhill with Labour, carry on wheeling, carry on dealing, carry on down, carry on out."

The full magnitude of the decline under Labour in the last five years had been concealed effectively by North Sea oil, the windfall of the century, which should have been hunched and deployed in long-term investment. Instead, it had been treated like a win on the pools, and frittered away.

Even so, Britain now had the worst rate of growth of any major industrial country, with the exception of Luxembourg, the lowest hourly wages with the exception of Ireland, and income per head behind France, Germany, Holland, Austria, and only a whisker ahead of Czechoslovakia.

Mr. James Prior, Tory employment spokesman, sought to counter Mr. Callaghan's argument that the Tories would immediately withdraw all State aid when he insisted last night that the Scottish Development Agency and similar bodies would be kept in operation.

He said in a speech in Melrose that the agency would be retained, and given the task of easing the transition in declining areas by assisting growth of modern industries. It would be given new guidelines instead of being allowed to prop up failures or invest in inefficient companies.

In addition, he promised that those firms in which the agency bought shares would have the right to buy them back "at an appropriate moment."

The danger of setting too much store by governments and government agencies was that they were not as astute as industry itself in seizing the main opportunities. Nevertheless, they could play a valid part in easing the process of change and ensuring that people did not suffer unnecessarily.

## Japan raises discount rate

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE BANK OF Japan yesterday announced the first increase in its official discount rate since the adoption of an easy money policy in the spring 1973.

The rate is 4.25 per cent, a rise of 0.75 per cent from the 3.5 per cent level at which it stood for just over a year.

The change reflects increasing government concern about recent rapid increases in the wholesale price index and about the near collapse of demand for government bonds on the national bond market. But it does not mean, officials claim, that Japan is shifting to a tight money policy.

Wholesale prices rose by 0.9 per cent in March, marking the fifth consecutive monthly rise since the index touched bottom last October. The year-to-year

rise in prices is still minimal since the index was falling during much of the early part of 1978. However, the government estimates that a continuation of the present trend would mean an annual rise of between 7 and 8 per cent in wholesale prices with the probability of a faster gain in consumer prices.

The rise is attributed to recent gains in world commodity markets, the impact of yen depreciation on the price of Japanese imports, and to a sharp recovery in domestic demand for certain raw materials.

Of the three factors, yen depreciation is held responsible for 30-40 per cent of the rise in prices since last October, while another 20-30 per cent is put down to commodity price rises. That leaves around 40 per cent for the effects of increasing domestic demand, the factor which is seen as being the least serious cause for anxiety.

Officials at the Economic Planning Agency say that demand-generated inflation will be absorbed in due course by an increase in industrial production and is thus a "healthy" aspect of the present economic situation. But yen depreciation is felt to have gone far enough for the time being.

The yen is now floating in the region of 215 to the dollar, compared with the peak level of 175 last October. Further depreciation from the present parity could increase the competitive strength of Japanese exports at a time when friction continues with major trading partners such as the U.S. and the EEC.

## Sadat warns treaty opponents

BY ROGER MATTHEWS IN CAIRO

PRESIDENT SADAT of Egypt has attacked internal critics of the peace treaty with Israel amid clashes in Upper Egypt between Christians and Moslems.

The President said he had given police orders to shoot anyone attempting to sabotage private or state property and he warned students that they faced 25 years hard labour if they fomented sectarian strife.

His remarks, part of the run-up to Thursday's referendum when the electorate will be asked to approve the treaty, were aimed particularly at the Moslem Brotherhood. The Brotherhood, a fundamentalist Islamic organisation, is strongly opposed to the pact with Israel. Although technically banned, it has recently been tolerated and now dominates the university student unions.

Mr. Sadat admitted publicly for the first time that Christians and Moslems had clashed in the past two months in the Upper Egyptian areas of Assiut and Menia. A number of people, mainly students, were injured.

"I will not tolerate any mobs in this country," he said. "I will not allow any rift-riff to imagine that they can shake

the Government." He added that political activities within the universities would be banned although students would be allowed to play a political role outside the campus.

Mr. Sadat has claimed that opposition to the treaty has been financed and organised by external elements—essentially Communists and those "hiding behind religious banners."

Continued from Page 1

## Saudi oil

Israeli peace treaty, and reports reaching Washington recently have indicated a decline in the influence of Crown Prince Fahd, long regarded as a proponent of closer U.S. links with the Riyadh Government.

Publication of this report may damage U.S.-Saudi relations. Senator Frank Church, Chairman of the Foreign Relations Committee, has been asked by the State Department not to release the document, which uses information from internal reports of the American consortium oil companies. But the committee unanimously decided to ignore this request. The report estimated

current Saudi oil reserves at 177.6bn barrels, one-quarter of the world's total.

Several years ago, the Saudi Government believed it could produce 20m barrels daily until the end of the century, and even as recently as 1977 it was thought that production could be sustained at 16m b/d.

Even at a rate of production of only 12m b/d, reserves would begin to run out in ten to 20 years, the report says, and the run-down will begin in about seven years.

The report says that Saudi Arabian officials have clamped tight restrictions on how much oil they will permit Aramco to take from the fields.

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